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## Nakasone Sweeps Party Vote; Nears Japan's Top Post

By Steve Lohr  
*New York Times Service*

TOKYO — Yasuhiro Nakasone won a sweeping victory Wednesday in the primary election for the presidency of Japan's ruling Liberal Democratic Party. It virtually assures that he will be elected the next prime minister by the Diet, or parliament, on Friday.

Mr. Nakasone, director-general of the Administrative Management Agency, received 559,673 votes, or 58 percent of the mail-in ballots cast by eligible members of the Liberal Democratic Party. His total was more than twice the number received by his closest competitor, Toshio Komoto, director-general of the Economic Planning Agency.

Mr. Nakasone, 64, owed his one-sided victory to the solid support of the two largest party factions controlled by Kishio Tanaka, a former prime minister, and Zenko Suzuki, who announced on Oct. 12 that he was stepping down as prime minister.

Mr. Suzuki's resignation led to the four-candidate race for the party presidency, a post that carries with it the prime ministership. The Liberal Democratic Party, which has held power in Japan since 1955, has majorities in both houses of parliament.

Technically, the primary vote was taken only to narrow the field of candidates from four to three. On Thursday, the 42 Liberal Democrats in the Diet will meet to nominate the party's candidate. That will then be a vote of the parliament on Friday.

But the magnitude of Mr. Nakasone's primary victory made the last two steps mere formalities.

Late Wednesday afternoon, Mr. Komoto, who received 265,078 votes, and Shintaro Abe, minister of international trade and industry, who collected 80,443, announced that they would not be candidates at Thursday's party convention because Mr. Nakasone collected a majority of the primary vote.

The fourth candidate, Ichirō Nakagawa, director-general of the Science and Technology Agency, was eliminated when he finished fourth in the primary with 66,041 votes.

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■ For years, Communist North Korea's 2-1 edge in air power has threatened South Korea. South Korea now has taken a big step up on the North by beginning co-production, with Northrop Corp., of F-5F and F-5E jet fighters. Page 7.

■ Despite agreement among major Irish parties that fiscal austerity is necessary, Ireland has been unable to produce a government that can put such a policy into practice and survive. Now another election is under way. Page 2.

■ As the OAU summit meeting continued to flounder because of Libya's opposition to seating a delegation from the pro-Western government of Chad, the chairman, Kenyan President Daniel arap Moi, announced he would leave for Nairobi. Page 2.

■ A special report examines construction projects and trends in the Arab World. Page 9S.

## Wyoming Town, Home of the Minuteman, Welcomes MX

By Jay Mathews  
*Washington Post Service*

ALBIN, Wyoming — The gas station is gone. The one surviving grocery store has cut back its hours. Even the school may be closed.

Albin, population 128, a little wheat and potato farming town 50 miles (80 kilometers) northeast of Cheyenne, is creeping slowly toward oblivion.

As a result, few people now mind, and many are rather pleased, that the most potent concentration of destructive force in the world is scheduled to move in.

After searching the nation for a home for the MX intercontinental

ballistic missile, now renamed "Peacekeeper," the Reagan administration settled on the gently undulating grasslands of Wyoming in this peaceful, patriotic corner of America.

For many here, the 100 missiles and the 3,500 construction workers expected to install them could not come too soon.

"This town needs something to boost it," said Corrine Domina, 25, waiting for customers to come into the grocery.

There is some opposition, however — from environmentalists, the state's Roman Catholic bishop, who opposes it on moral grounds; farmers concerned about the scarcity of water sources, and citizens worried about the problems of suddenly living in a boom town.

Albin signals its presence on the flat, mile-high plateau with a tall water tower and grain elevator, plus clumps of trees stuck naked branches into the pure blue sky.

Its population has shrunk as big growers and ranchers have pushed out the small farmers.

A few stray cattle along the road from Cheyenne break the monotony



Yasuhiro Nakasone met reporters Wednesday after winning the Liberal Democratic primary.

## KGB Career Officer Named Deputy Soviet Prime Minister

By Dusko Doder  
*Washington Post Service*

MOSCOW — Gaidar Alyiev, a career officer of the KGB security police who was elevated to the ruling Politburo only on Monday, was named Wednesday as first deputy prime minister of the Soviet Union.

Mr. Alyiev, 59, was elected unanimously at a closing session of the Supreme Soviet, or parliament, amid clear indications that he was being groomed to take over the top governmental post held by Prime Minister Nikolai A. Tikhonov, 77.

The action follows the election of Yuri V. Andropov, who served as chief of the KGB for 15 years until last May, to succeed Leonid I. Brezhnev as general secretary of the Soviet Communist Party and seems to foreshadow greater internal discipline.

Mr. Alyiev, an ethnic Azerbaijani who joined the KGB at age 19, is one of the most attractive and forceful personalities in the Kremlin leadership. Western diplomats who met him earlier this year described him as an exceptionally intelligent and self-confident man and a "natural politicalician."

When Mr. Andropov took over the KGB chairmanship in 1967, he appointed Mr. Alyiev as chief of the KGB in Soviet Azerbaijan. Mr. Alyiev held the post for two years before he was named the Azerbaijani party leader in an effort to clear out the corruption and economic crime for which the republic had become notorious.

Although not an economist, Mr. Alyiev had achieved considerable

success in running the economy of Azerbaijan. The republic's industry and agriculture have achieved the highest growth rates in the country during the past decade.

His selection as the first deputy prime minister seems to reflect Mr. Andropov's intentions to have Mr. Alyiev do the same on the national scale.

The new Soviet leader has quickly consolidated his authority and clearly seems determined to focus on the country's internal problems.

This was underscored Wednesday as the two-day session of the Supreme Soviet closed its deliberations without electing a new chief of state, the post left vacant by the death of Mr. Brezhnev two weeks ago.

The titular head of state at the moment is Vasily V. Kuznetsov, 81, a career diplomat who was made an alternate member of the Politburo and first deputy president in 1977 to assist the ailing Mr. Brezhnev in the performance of ceremonial functions.

Mr. Andropov was elected Tuesday to the 38-member Presidium or collective state presidency, and thus acquired the right to act as head of state when and if he chooses. Informed observers said the Mr. Andropov, 68, had sufficient authority to win the presidency but that he chose not to take the post, which involves many time-consuming ceremonial duties.

With two former senior KGB officials now in top Kremlin positions, the security service was given additional exposure Wednesday as the new KGB chief, Vitaly

Fedorovich, made his first public speech since replacing Mr. Andropov last May.

Mr. Fedorovich, also a career KGB officer, took part in the debate on a new bill on the Soviet frontier. Saying that subversion from the West has increased, he called for tougher security along the frontiers. Soviet border guards are a part of the KGB and are believed to number about 300,000 troops.

The text of the new law on Soviet frontiers was not available but diplomatic observers here believe it was disclosed now in connection with a possible adjustment along the Chinese-Russian border.

George Korniyenko, the first deputy foreign minister, also spoke Wednesday. He made a reference to such a possible adjustment when he said there was calm along the border now and that the Kremlin would like to become "a border of friendship."

The two countries have recently begun "political contacts" to normalize relations. One of the key Chinese demands has been the withdrawal of large Soviet troop concentrations from the border, and it is possible that the two countries are moving toward reducing their forces along the frontier.

Wednesday's closing session of the Supreme Soviet predictably approved without dissent the government's budget for 1983 and its plan for the year. The debate Wednesday provided no additional details as to either the budget or the plan.

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Environmental groups, which are relatively weak, have raised objections to the project, and the Roman Catholic bishop for Wyoming, Joseph Hart, has had a letter read in all churches here opposing it on moral grounds.

"Somebody along the line has got to say enough is enough," said Bishop Hart, "and we have got to stop the arms race."

The state's Roman Catholic leader said there had been an 80 percent favorable response to his opposition. Only about 15 percent of Wyoming residents are Catholic, however, and even the Catholic chaplain at Warren defended the pro-missile views of his military parishioners.

State Senator Richard Larson, an Albin potato farmer, said he supported the missile plan but wanted to make sure the federal government did not use too much of the area's scarce water supplies.

Farmers who might have to sell land for the project, he added, ought to receive fair settlements.

A member of the Albin Town Council, Norman Jacobsen, 47, who has lived here all his life, said that when the Minuteman sites were constructed 20 years ago many workers came in and lived in trailers for a while, but he said almost all later left.

Mr. Jacobsen also said he did not know if the town could afford the \$400,000 to \$500,000 it would take to construct a new trailer park, and he said he was concerned by how little information had been provided about the project.

What he fears, Mr. Jacobsen said, is that Cheyenne is going to get all the glory and we're going to have to put up with all the riff-raff.

Mike Sorenson, 27, who runs the town grain elevator, remembers when "the town had two or three gas stations, a barbershop and two grocery stores."

Like many other residents, he said he would like to know more details about the missile project, but he is a staff sergeant in the Air National Guard and supports President Ronald Reagan's efforts to build up American defenses.

Cheyenne was founded in the last century by railroad engineers and U.S. Army officers. Relations between townspeople and the 3,700 uniformed military personnel at Warren Air Force Base at Cheyenne remain unusually warm and close.

Ruby Berryman, the Albin town clerk and school secretary, said she hoped more children would come to the area "because we have been threatened with the loss of our school because we only have 100 kids."

## EC Rejects U.S. Effort To Cut Trade Barriers As GATT Meeting Opens

By Axel Krause  
*International Herald Tribune*

GENEVA — Representatives of Japan and key developing nations joined the United States in calling for broad and strong measures to liberalize trade as a ministerial trade conference of representatives of 110 nations and major international organizations opened Wednesday in Geneva.

But the European Community, responding at the four-day conference sponsored by the General Agreement on Tariffs and Trade, said that any commitments against protectionism had to be "realistic."

The EC rejected taking on new commitments and obligations in agriculture starting new negotiations aimed at reducing the EC's controversial farm export subsidies. Wilhelm Brock, the U.S. trade representative, called for a "commitment to roll back, over time, existing GATT illegal actions concerning trade and which he said 'will have a hollow ring unless accompanied by operational agreements' on limiting import restrictions and improving the dispute-settling mechanisms of the agency."

Warning of "wasteful and dangerous competition" which might be triggered if no agreement is reached, Mr. Brock called for liberalization of farm export subsidies and what he termed a work program to move toward their eventual elimination.

The differences between the EC and the United States, Japan and developing countries over farm subsidies must be resolved by Saturday, conference sources said, or the meeting will not have achieved a crucial goal.

"If we cannot get agreement from the EC on reducing farm subsidies, this conference will have failed in a very substantial way," a U.S. official said. "And right now, the EC is alone in refusing to move on dismantling subsidies in this key sector." But, he added, "compromises are possible."

In an effort to break the deadlock and complete negotiations on a range of proposed trade liberalization actions, trade ministers and other key delegates were meeting Wednesday night at the Château de Chillon overlooking Lake Geneva, 50 miles (80 kilometers) from the site of the conference.

The EC ministers will also meet Thursday and Friday to review their position.

Representatives from 28 nations, the World Bank, the International Monetary Fund and other

agencies addressed the opening session of the conference, and the speeches will continue Thursday along with behind-the-scenes negotiations and discussions.

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## Beirut Massacre Panel Tells Begin, 8 Others to Prepare Legal Defenses

By David K. Shipler  
*New York Times Service*

JERUSALEM — The commission investigating the Beirut massacre served notice Wednesday to nine of Israel's top governmental, military and intelligence officials, including Prime Minister Menachem Begin and Defense Minister Ariel Sharon, that they may be

Hundreds of Palestinians were killed Sept. 16-18 by Phalangist militiamen sent into the Sabra and Chatila camps by the Israeli Army to find Palestine Liberation Organization guerrillas believed to be hiding among the refugees.

The commission listed numerous areas of possible commission, which it said would be "tantamount to nonfulfillment of a duty incumbent" on the officeholder.

If notified Mr. Begin that it may find that he "did not appropriately consider the role to be played" by the Lebanese "during and due to" the Israeli Defense Force's entry into West Beirut, "and ignored the danger of acts of revenge and bloodshed by these forces against the population in the refugee camps."

Mr. Begin has testified that he did not know the Phalangists were going into the camps until an Israeli cabinet meeting Thursday evening, Sept. 17, which convened about 90 minutes after the Lebanese had entered the camps.

## Irish Vote Amid Calls for Austerity, Stable Government

By Kevin McKenna  
*International Herald Tribune*

DUBLIN — "We've got to have a government that's in long enough to do the job," said Joyce Byrne, a housewife, as she left her polling place Wednesday on Dublin's Northumberland Road.

If her tone seemed a bit urgent the reason was evident. Despite agreement among the major parties that fiscal austerity is necessary to escape from an economic crisis, Ireland has been unable to produce a government that can put such a policy into practice and survive.

Wednesday's elections were the third in 18 months for Ireland, a country accustomed to voting every four years. Counting will begin Thursday morning but because of Ireland's complex system of proportional representation the exact makeup of the Dail, the 166-seat lower house of parliament, may not be known for days.

The last two governments, although led by parties of the center right, have been dependent on support from leftist parties and independents. Consequently, neither lasted more than eight months and both ultimately fell on fiscal questions. There is concern that the next government may fare no better.

"We want this kind of hung Dail system like a hole in the head," said Basil Chubb, professor of political science at Trinity College. "It's different in countries like Italy where they're used to not having a government for awhile and it doesn't cause great problems."

If we ran up against this again, exasperation would ensue."

There is already exasperation with Ireland's economy, which only three years ago had a growth rate that was the envy of much of Western Europe. Now it has the second highest unemployment rate in the European Community, 13.5 percent, and annual inflation is 17 percent.

The major parties, Fianna Fail and Fine Gael, both cite the need for more austere budgets after a period of rapid spending growth that saw government debt rise to 11 billion Irish pounds (\$14.7 billion), almost half of it foreign debt.

As a result, the latest campaign was not filled with promises of plenty. "We will not, as a community be able to afford for some time to come the vast array of social services to which richer countries have been accustomed in the past," Prime Minister Charles J. Haughey, the Fianna Fail leader, wrote last week in *The Irish Times*.

His party proposed an 8-percent cut in real terms in current public spending, a tax increase, new charges for government services and a reduction of 4,000 in the number of public employees.

Fine Gael, led by former Prime Minister Garret FitzGerald, was not so specific. But it adopted a similar tone, and its likely partner in any coalition government, the Labor Party, will "probably go along with retrenchment" despite its Social Democratic orientation, said Tom Gavin, lecturer in political science at University College, Dublin.

"Both sides recognize the problem," he said, "but

it's not going to be very pleasant for any politician to deal with over the next few years."

The electorate "if anything, is moving to the right," Mr. Garvin added. "People realize it's going to be difficult and there's a certain willingness to put on the hair shirt."

But two governments have already fashioned such a fiscal policy at their own expense. Mr. FitzGerald's minority coalition of Fine Gael and Labor fell on Jan. 27 after seven months in power when its budget plan was rejected by one vote, in part because it imposed a value-added tax on clothes and shoes for the first time.

Fianna Fail picked up three seats in the February election, enough for Mr. Haughey to form a minority government with the support of four leftists — the three members of the Workers' Party and an independent, Tony Gregory. It managed to push through a budget in March. But on Nov. 4, when the Workers' Party deserted him over cutbacks in health spending and Mr. Gregory abstained, the government fell again.

In the latest campaign both Mr. Haughey and Mr. FitzGerald stressed a need for a stable government and each contended that his party was in the best position to produce one. But as the campaign continued, the chances of anyone receiving a majority seemed increasingly remote.

The last pre-election poll indicated that Fianna Fail will remain the largest single party but will lose a few seats — just enough, perhaps, to bring another switch in prime ministers but a government no stronger than

before. So a small faction on the left may again call the tune when the new Dail convenes Dec. 14.

The Workers' Party leader, Tomas Mac Giolla, has already indicated that the party would not block the formation of a minority government but would vote against a budget when presented. Beyond attempting to win concessions, he seeks to force a Fianna Fail-Fine Gael coalition on the right — considered highly unlikely — and a division of Irish politics along ideological lines.

The Irish system in which three to five members are elected from each constituency on a proportional basis makes it easier than under the British or American systems for small parties and independents to gain seats.

It also makes close elections hinge on how the final seat goes in five-member constituencies — and that may take a dozen or more rounds of counting to determine. By one reckoning a switch of only 800 votes in 16 constituencies last February would have given Mr. Haughey an outright parliamentary majority.

The British and American view is that it's much more convenient if a government has a majority," Professor Chubb said. The Irish system, he said, "is only a weakness if you think the purpose of an election is only to create a government, and you give away fairness."

But Mr. Garvin, citing the role of minor parties and the current stalemate, said it may be a case of "fairness gone mad."

## Underground Activist Sentenced in Wroclaw

By John Kifner  
*New York Times Service*

WARSAW — One of Solidarity's top underground organizers was sentenced to six years in prison Wednesday for attempting to carry on union activity under martial law.

Wladyslaw Frasyniuk, a member of the clandestine five-member coordinating committee and the leader of the Silesian mining and industrial region, was given the sentence by a three-judge summary court proceeding in Wroclaw.

Meanwhile, in what appeared to be an orchestrated campaign leading up to the lifting of martial law in the next few weeks, a citizens advisory body set up by the authorities called on the Polish parliament to pass a bill lifting military rule as soon as possible and mandating the release of all imprisoned Solidarity activists and amnestying those for their jail.

The group said in a statement Wednesday that it believed "the idea of national agreement has taken deep root in the country."

The government of General Wojciech Jaruzelski, apparently believing that it has broken the support for the outlawed independent trade union Solidarity, has started a series of highly visible conciliatory measures in recent days. Among these was the freeing of Lech Walesa, the Solidarity leader, and the renewing of an invitation to Pope John Paul II to visit his native land.

Government officials have been hinting strongly at the possibility of the lifting of martial law at a special session of the Sejm, or parliament, called for Dec. 13, the an-



Wladyslaw Frasyniuk  
*Reuters*

Baha'i Group Reports Execution by Iranians

*Reuters*

LIBYA — A follower of the Baha'i religion has been executed in Iran and three others have been sentenced to death for refusing to recant their faith, a Baha'i group said here Wednesday.

The National Spiritual Assembly, a Baha'i organization, said Ziaollah Ahmadi was shot by a firing squad in the southern city of Shiraz last weekend and that the three other Baha'i were condemned to death by an Islamic court. It said 40 Baha'i had been imprisoned in Shiraz in the past month. Last week, two Baha'i were reportedly executed and one murdered.

The prosecutor had demanded a 10-year sentence, partially as a warning to those engaged in underground activity. The court was

summarily proceeding from which there could be no appeal.

Despite his prominence, Mr. Frasyniuk's sentence was somewhat lighter than other, less important Solidarity activists who had been charged with criminal offenses in the early days of martial law. Many were sentenced to up to 10 years in prison.

## OAU Summit on Verge of Collapse Over Issue of Chad's Delegation

*United Press International*

TRIPOLI — The Organization of African Unity summit was near collapse Wednesday as the organization's chairman, President Daniel Arap Moi of Kenya, prepared to return home after failing to resolve a dispute over seating a delegation from the pro-Western government of Hissene Habré.

Colonel Qadhafi, who is scheduled to assume the rotating OAU chairmanship at this summit, supports a faction based in northern Chad that is led by Goukouni Oueddei, the man Mr. Habré deposed.

In Paris, Chad's foreign minister, Idriss Missikine, delayed his departure for Tripoli and insisted that Mr. Habré's government would accept no compromise as to its participation in the OAU summit.

"Unless something dramatic happens, which I doubt, the chances of holding this summit look like nil," one source said.

Conference sources said a six-nation crisis committee was making little headway in an attempt to save the summit.

Mr. Moi, a key figure in the crisis committee, met again with the opposing sides, but then announced he would leave for Nairobi with his entire delegation.

Observers interpreted Mr. Moi's impending departure as a sign that the African summit, which was to

have opened Tuesday, was in serious difficulty.

The delegation of Libya's leader, Colonel Muammar Qadhafi, was leading the campaign to block the seating of the Chad government of Hissene Habré.

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last week, backing Mr. Habré. The walkout has deprived the summit of its necessary two-thirds quorum of 34 states.

Three states, Egypt, Somalia and Sudan, have refused to come to Tripoli for the summit because of poor relations with Colonel Qadhafi.

The six-nation crisis committee, composed of Tanzania, Mali, Libya, Congo, Zambia and Mozambique, was successful in resolving an earlier dispute that forced postponement of the summit last August, when the OAU's seating of the Polisario Front triggered a 21-nation walkout led by Morocco, which is fighting the guerrillas for control of the Western Sahara.

The committee convinced the Polisario to stay away from the Tripoli summit for the sake of African unity.

Mr. Goukouni was forced out of Chad by Mr. Habré's forces in June, seven months after Libyan troops, who had fought alongside Mr. Goukouni's forces against Mr. Habré, withdrew in favor of the OAU's first peacekeeping force.

Mr. Habré has accused Libya of trying to restore Mr. Goukouni to power as a prelude to merging the two nations in an Islamic federation.

## EC Challenges Greece On Monopoly of Drugs

By Andriana Ierodiaconou  
*International Herald Tribune*

ATHENS — The European Commission has advised the Greek government that plans to impose a state monopoly on the supply and distribution of drugs would infringe on EC free competition rules.

This could lead to the first case against Greece in the European Court.

Industry sources said several West European and American drug companies had complained to the commission about the Greek plan to monopolize the pharmaceuticals market.

The issue has also brought the Socialist government of Andreas Papandreou into bitter conflict with private drug manufacturers in Greece. The government asserts it is acting to protect consumers from profiteering and price increases.

According to Western diplomatic sources, the issue was raised Monday in Athens at the start of a special EC meeting with Greek officials to discuss alleged infringements on community regulations.

The first two articles of the bill providing for the creation of government agencies to supply and administer the drug market were approved by the Greek parliament yesterday exposed to light after it was checked through on a South African Airways flight from Port Elizabeth to Durban on Oct. 9.

According to EC observers, the commission contends that the bill's provisions violate free competition rules and provisions on the free circulation of goods. Greek insistence on applying the bill could lead to a European Court case against the government.

EC observers say that Greece is infringing on several hundred community regulations and has only implemented 1 percent of more than 700 directives since becoming a full EC member in January 1981.

Greece maintains that its pharmaceutical laws are covered by a Treaty of Rome provision that exempts matters of public health and national security from EC regulations. Critics contend that the argument is weakened by the inclusion of cosmetics in the bill.

Mr. Isham, reached by telephone in New York, said the film had been examined by Du Art Film Labs Inc., the laboratory that does the processing for ABC News, and then by experts from Eastman Kodak Co. "As soon as it was processed, Du Art called our production manager and said, 'You've been sabotaged,'" he said.

Bernard du Plessis, the deputy minister for information, expressed shock when told Tuesday evening of the American network's experience. "I know nothing of this whole episode," he said, adding that he would try to find out what happened.

Exocets Now Reported As Flown to Argentina

*United Press International*

PORLTAND, Maine — The First Amendment does not protect people who import marijuana for use as part of a religious ceremony, a federal judge has ruled.

The ruling came during a preliminary hearing Tuesday in the case of 16 persons facing trial on charges of smuggling 25 tons of marijuana into nearby Stonington in 1980. The defendants have said they are members of the Ethiopian Zion Coptic Church and the marijuana was to be used for sacramental purposes.

The agency said the planes and the missiles were airfreighted from France and not shipped aboard the freighter Bahia San Bias as originally announced. The agency quoted military sources as saying the shipment was part of a "carefully mounted military plan" designed to avoid "interference which could affect the equipment destined for the armed forces."

Federal Judge Edward T. Gignoux said the First Amendment protects the religious beliefs of church members, but not when they pose a substantial threat to public health and welfare.

## WORLD BRIEFS

### Mitterrand Begins 3-Day Cairo Visit

CAIRO (UPI) — President François Mitterrand of France arrived in Egypt on Wednesday for three days of talks with President Hosni Mubarak aimed at strengthening what he called the "special relationship" between the two countries.

No statement was issued after the two leaders' first meeting. Foreign Minister Kamal Hassan Ali of Egypt also conferred with the French minister of external relations, Claude Cheysson.

Mr. Ali said, "We discussed the Lebanese crisis and the Egyptian and French position thereon, and the question of ending Israeli and foreign occupation of Lebanon." He added, "We reviewed efforts for a peaceful settlement of the Palestinian problem and President [Ronald] Reagan's initiative."

### Syria Rejects Partial Lebanon Pullout

DAMASCUS (UPI) — Syria has rejected a proposal by Philip C. Habib, the special U.S. Middle East envoy, for a partial withdrawal of its 40,000 troops from Lebanon, the official media said Wednesday.

The veteran envoy, who arrived in Damascus from Beirut on Tuesday, flew to Israel Wednesday morning to continue his negotiations. A U.S. spokesman said that Mr. Habib's only meeting in Damascus was a two-hour talk Tuesday with Foreign Minister Abd al-Halim Khaddam.

The official newspaper *Tishrin* said that Mr. Khaddam had refused to agree to a partial withdrawal of Syrian troops from Lebanon because he was not given any guarantee that Israel would do the same.

### PLO Leadership Reportedly Meets

DAMASCUS (Reuters) — Yasser Arafat, leader of the Palestine Liberation Organization, arrived in Syria from Algeria on Wednesday and chaired a meeting of the PLO leadership, Palestinian sources said.

They said Mr. Arafat was due to preside over a larger meeting of PLO leaders Thursday night. This session of the 60-man Palestine Central Council is due to discuss when and where to hold the next meeting of the Palestine National Council, the Palestinians' parliament-in-exile.

The series of meetings in Damascus, which the sources said was aimed

at mapping out the PLO's strategy for the coming year, had been delayed for several days, apparently by tension between Mr. Arafat and the Syrian government.

### Smith Is Held Briefly in Zimbabwe

HARARE, Zimbabwe (UPI) — Ian Smith, the former Rhodesian prime minister, said Wednesday he was among 26 whites held briefly by the police Tuesday on suspicion that they were holding an illegal political meeting.

Mr. Smith said he, his wife, Janet, and several members of his Republican Front Party were among 26 whites taken to the Harare central police station from an art exhibition held in a city shop. Mr. Smith speculated that the arrests were "part of a game they are playing to get at me and my party because we oppose a one-party state."

"We didn't know why we were being held and only during interrogation were we told that the police had been tipped off that we were holding an unauthorized political meeting," Mr. Smith said. All 26 whites were interrogated individually before being released, the last leaving the police station in the early hours of Wednesday, Mr. Smith said.

### For the Record

REYKJAVIK (UPI) — Iceland's three-party coalition government of Prime Minister Gunnar Thoroddsen survived a confidence vote Tuesday night by two votes in the Althing, the nation's parliament. The Social Democrats called for the vote in an effort to bring about early elections.

PARIS (UPI) — The first Mirage-2000 fighter-bomber destined for the French Air Force made its maiden flight at Bordeaux-Merignac air base, the builders, Dassault-Breguet Aviation, announced Wednesday.

ROME (Reuters) — Italy's labor federation staged a four-hour strike by industrial workers Wednesday to press wage demands as the prime minister-designate, Amintore Fanfani, struggled to put together a coalition government.

### UNESCO Leader Sees Growth in Inequalities

*The Associated Press</*

## Congressmen Say MX Will Need 'Superior Selling Job' by Reagan

By Steven V. Roberts  
New York Times Service

WASHINGTON — Republican congressional leaders acknowledge that President Ronald Reagan's plan to deploy 100 MX missiles near Cheyenne, Wyoming, will face serious trouble during the post-election legislative session that begins next week.

Senator Paul Laxalt, Republican of Nevada and Mr. Reagan's closest confidant in Congress, said Tuesday that passage of the plan "is going to require a superior selling job" by the president.

However, Senator Laxalt predicted that the plan would eventually prevail, and even opponents of the missile system admit that it is difficult to oppose a president on that issue.

"I'm optimistic," said Representative Joseph P. Addabbo, Democrat of New York, who is leading House opposition to the MX. "But I'm also leery of the president's charisma. I've lost to him before."

Congress had ordered Mr. Reagan to propose a basing mode for the much-debated missile sys-

tem by Dec. 1. On Monday, the president announced support of "dense-pack" deployment, which would concentrate all the missiles in a 20-square-mile area in southeastern Wyoming.

Lawmakers will get their first opportunity to review the proposal Tuesday, when the House Appropriations Committee takes up the 1983 military funding bill that now amounts to about \$230 billion.

The Defense subcommittee, headed by Mr. Addabbo, voted narrowly last week to retain money for the MX, but he said he would try again to defeat the missile system when it reaches the full committee stage.

He said his first target would be about \$1 billion earmarked for the actual production of the missile. If that move succeeds, he said he might then try to knock out the remaining money, about \$3 billion, allocated for research and development on the system.

After the committee fight, the appropriations bill would go to the House floor, probably during the following week.

If the legislation reaches the Senate during the special session, a

band of opponents led by Senator Ernest F. Hollings, Democrat of South Carolina, are lying in wait.

If the arms bill is delayed, the military budget would have to be included in a temporary spending measure called a continuing resolution. The missile could also come up for a vote in that context.

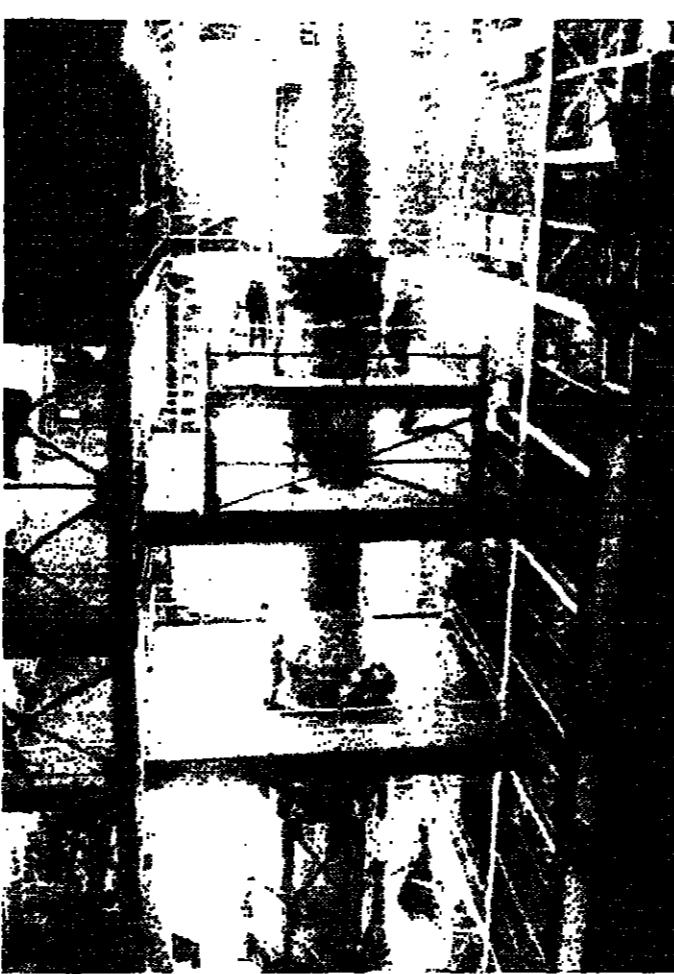
Analysts on Capitol Hill agree that the strongest argument in favor of the missile system is Mr. Reagan's contention that he needs a "bargaining chip" in future arms control talks with the Soviet Union.

Moreover, there has always been a strong presumption on Capitol Hill that the president has the main responsibility for foreign policy and arms control talks. Many lawmakers are reluctant to undermine the president's credibility in these matters.

But Senator Laxalt admitted that the opponents of the missile system have "the makings of an effective coalition," because they cover a broad spectrum of viewpoints. One group believes that the MX system represents a distortion of national priorities and that the money can be better spent on more pressing domestic and military needs.

Other critics argue that the MX system simply will not do its job. Senator Alan Cranston, Democrat of California, said "there is real doubt that we will be able to have the system in place and working before the Soviets, in response, have developed methods to overwhelm it."

A third group says that the "dense pack" could abrogate existing arms control agreements with Moscow and lead to a new escalation of arms spending by both sides.



Workers at Martin Marietta Aerospace in Denver put the final touches on a model of the MX, without propellants or warheads.

## U.S. Pershing Missile Missed Target in Test

By Walter Pincus  
Washington Post Service

WASHINGTON — The U.S. Army has disclosed that a test of the Pershing-2 missile last Friday was not a complete success as initially claimed and that the missile did not land near its target.

The missile's complex warhead failed to maneuver properly and did not achieve the desired accuracy," an army spokesman said Tuesday.

The Pentagon said the problem was discovered over the weekend as technicians reviewed data from the test, held at the White Sands Missile Range in New Mexico.

On Friday, army officials announced that the controversial missile, the key to the North Atlantic Treaty Organization's nuclear modernization plan in Western Europe, but which failed its first two flight tests, had a "good flight all the way" and that the warhead had "landed within the target area."

But on Tuesday, an army spokesman said that a loss of hydraulic pressure prevented the control surfaces of the warhead from working. Without these wing-like flaps, the warhead could not change direction on orders from its sophisticated, electronic terminal guidance system.

## Leaders of NATO Meet With Kohl

The Associated Press

BONN — Chancellor Helmut Kohl and his cabinet held more than three hours of talks Wednesday with General Bernard W. Rogers and two other senior commanders of the North Atlantic Treaty Organization and reaffirmed Bonn's commitment to deploy new U.S. nuclear missiles

John Blackburn, said Tuesday. "The cause of the explosion was being investigated and its impact on the MX missile development program is under evaluation," Sergeant Blackburn said. The MX, which stands for "missile experimental," is the latest-generation U.S. intercontinental missile. President Ronald Reagan announced Monday that he would deploy MX missiles in Wyoming.

Diether Stolze, a government spokesman, refused to give details of the talks, but said the meeting showed there was "great agreement" on almost all aspects of military policy between the commanders and the Kohl government.

Besides General Rogers, West German officials met with Admiral Wesley Lee McDonald and Admiral Sir William Staveley.

"This is a sad day for the American public," said Edward O. Fritts, president of the National Association of Broadcasters. "Pure and

## U.S. Restrictions Lifted On Duration of TV Ads

By Ernest Holsendorph  
New York Times Service

WASHINGTON — The broadcasting industry and the Justice Department have agreed to eliminate restrictions on the duration of television commercials.

The consent decree, signed Tuesday by Federal District Judge Harold H. Greene, raised the possibility that eventually all restrictions would be dropped, including those governing advertising content, broadcasting officials said.

The decision settled an antitrust suit that the Justice Department brought against the National Association of Broadcasters on July 14, 1979, charging that it was illegal for the members of the trade group to agree to restrict advertising. The three major networks and their affiliates are members of the industry's leading trade group.

Although it is a party to the agreement, the association issued a strongly worded statement against it.

In the absence of the restrictions, there has been speculation that individual stations might venture into some taboo areas such as advertising of liquor and contraceptives. But there have been signs that local communities may hold in reserve sanctions more powerful than those of the association or the government.

simple, today's action means that the government does not want television broadcasters to attempt to govern themselves by voluntarily limiting the amount of advertising broadcast into the public's homes.

The agreement eliminates rules that restricted advertising to one product in each 30-second spot, limited the stations to broadcasting no more than five consecutive advertisements and limited advertising to no more than 8½ minutes an hour.

In New York, representatives of CBS-TV, NBC-TV and ABC-TV indicated that the decree would have no immediate effect. They said that any change would be likely to come from independent stations.

"That was wrong," he said. "We trusted them to look after our property and then one day at the camp we were notified that they sold the house for \$1,500 and they sent us a check after deducting \$150 for commission."

Like many of the older Japanese, Mr. Nakayama does not like to dwell on the sufferings of the war period. His tone contrasted

## Young Japanese-Canadians Raise The Issue of Wartime Internment

By Michael T. Kaufman  
New York Times Service

VANCOUVER, British Columbia — A group of third-generation Japanese-Canadians is demanding that Canada apologize and pay cash reparations to elderly Japanese men and women who have been quietly bearing 40-year-old memories of wartime humiliation, internment, dispossession and forced labor.

The experiences of the 23,000 ethnic Japanese in Canada during World War II were similar to those of the Japanese in the United States: They were relocated to primitive and remote camps in the months after the attack on Pearl Harbor in December 1941. Men were separated from their families, curfews were imposed and rights of citizenship were suspended.

In the United States, 110,000 Japanese aliens and Japanese-Americans were ordered from their West Coast homes and jobs and placed in evacuation centers patterned after army camps, where they remained until after the war in the Pacific ended in 1945.

But in Canada it was not until 1949 that the Japanese were permitted to return to this province where they had first settled and, for a while, thrived as farmers and fishermen.

Until recently, the memories of this period were borne quietly and for the most part privately by a generation whose survivors are now in their 70s and 80s. They are people like the Rev. Gordon G. Nakayama, 82, an Anglican priest, who talks of the banishment suffered by his family and his flock with more understanding than bitterness. Mr. Nakayama said he had spent four years in a submarine camp.

"After all, there was a war and bad things happen in war," said the cleric, who has letters from two Canadian prime ministers on the wall of his living room, along with ancestral mementos and a painting of Queen Elizabeth II. "We do not really know what the motives of the government were — whether they were protecting us from mob anger or if they were afraid of us. But we trusted them."

Only when he discussed how the government sold the house he had purchased in 1925 without asking his permission did he show real resentment.

"That was wrong," he said. "We trusted them to look after our property and then one day at the camp we were notified that they sold the house for \$1,500 and they sent us a check after deducting \$150 for commission."

Like many of the older Japanese, Mr. Nakayama does not like to dwell on the sufferings of the war period. His tone contrasted

sharply with that of the successful younger generations, many of whom have only recently learned in detail of the humiliations faced by their parents and grandparents. This was apparent as four of the founders of the Japanese Redress Committee explained here why they felt it essential that both the Canadian government and the Japanese who suffered face up to what happened and set about redeeming honor.

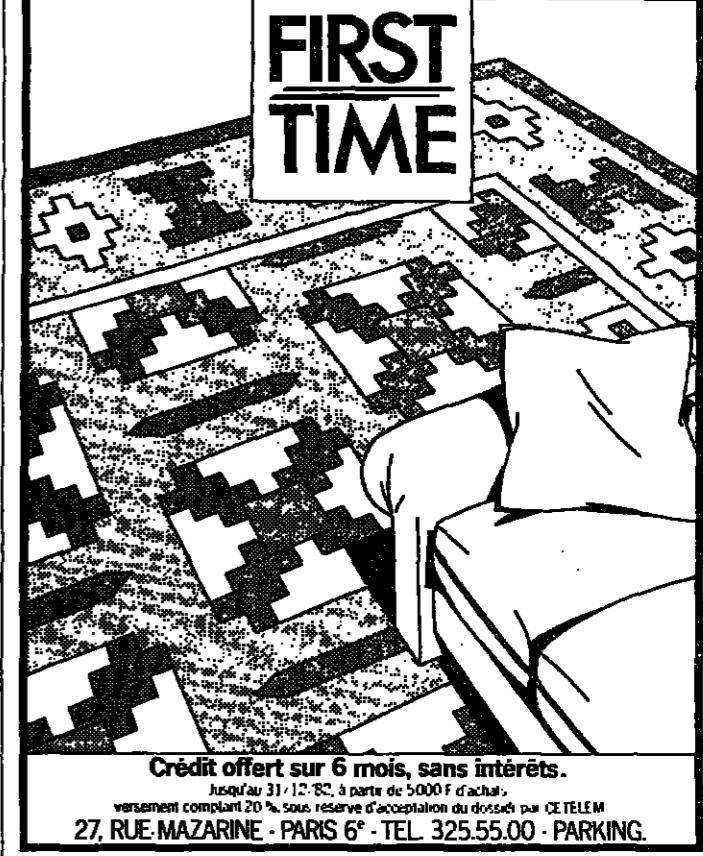
Tamio Wakayama, a photographer, was born in one of the camps 38 years ago. He did not regard the Japanese experiences here in terms of civil rights until he was commissioned to put together a book and a photographic exhibit to commemorate the centennial of the Japanese minority in Canada. The Redress Committee grew out of that 1980 effort.

Roy Enamoto, 39, the fourth of the founding members, is a social worker. Concerning the attitudes of many of the older Japanese, he said, "There is a lingering sense of unwarranted guilt. They were punished, so perhaps they feel that in some way they may have been wrong. That is one reason why the reparations are essential."

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## HOW GEC TURBINE GENERATORS INCREASED EXPORTS

As part of a determined programme to increase its share of the export market, GEC Turbine Generators Ltd. studied ways and means to increase machine tool production efficiency at its various factories in the U.K. If a successful method could be found it would enable GEC to compete more effectively on price without affecting its reputation for quality. This was in the mid-1970s, when Britain's market for power plant generators was declining.

Computerized Numerical Control, CNC, was the answer. And out of the many systems available, it was concluded that Philips CNC6000 series was ahead in meeting all GEC's criteria. It could be used for controlling general work in up to four axes and for contouring in one or two axes. System flexibility enabled it to be applied to

many types of machine tool, and it was sufficiently compact to be installed in a control pendant. Other features included user-friendly Manual Data Input (MDI), a wide variety of programmable functions and, when programming was not needed, a manual operational mode.

So in 1976 Britain's GEC standardized on Philips CNC.

During the course of the next four years, Philips CNC systems were interfaced to more than 25 machine tools at GEC factories in Larne, Manchester, Rugby and Stafford; the type of machine tool ranging from a Butler Elgamill to a Pegard borer, from a Heid lathe to a Hayes milling machine, from an Eimel-dingen co-ordinate table to a Crawford-Swift chucking lathe.

By end 1981 the application of computerized numerical control to

machine tool operations had produced some impressive results. Complex stainless-iron airfoil blade sections, complete with tenons, could be machined from a single multi-operation setting. Machining times had been reduced by between 30 and 60 percent. Production lead times were six months shorter. And export turnover had increased ten-fold to position GEC among the world's top exporters in its field.

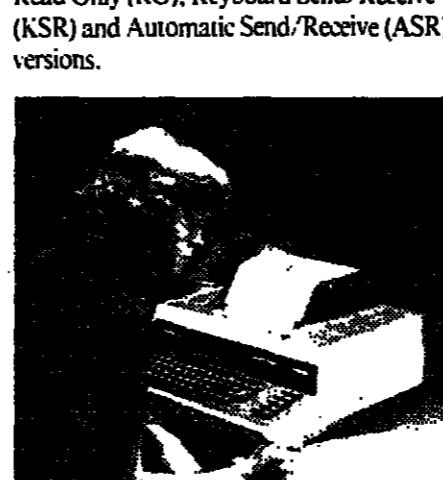
In fact, GEC Turbine Generators Ltd. won the U.K.'s prestigious Queen's Award for Export in 1977, in 1980 and again in 1981.

Here are some more examples of how Philips can direct its technological resources, specialized services and multi-product capability to meet the specific needs of industry, business and commerce.

### OFFICE TELEX TERMINAL

Philips PACT220 teletypewriter optimizes the immediacy of telex communications by enabling a terminal to be sited where it is needed most — on the office desk. At 'standby' PACT220 is totally silent. During operation it is quieter than an electric typewriter. And as no special operator training is needed, general office staff can send messages themselves without incurring 'telex room' delays. The electronic (ESR) version of PACT220 features a microcomputer memory module to provide many word processing type facilities. Messages can be composed off-line, then searched and subsequently edited before transmission. Other PACT220 features include single-key telex connection and re-dialling, horizontal tabulation and abbreviated dialling.

PACT220 can also be supplied in Read Only (RO), Keyboard Send/Receive (KSR) and Automatic Send/Receive (ASR) versions.

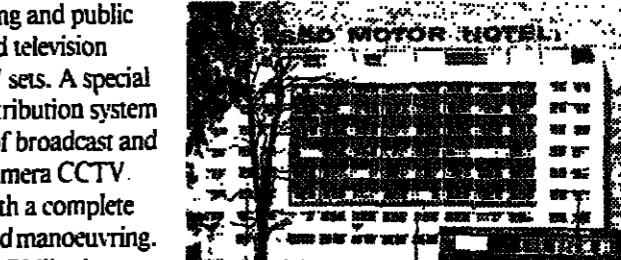


### VIDEO 2000 HOTEL SYSTEM

In order to provide publicity-sponsored video programmes for guests at its chain of 52 motor hotels, Esso Motels, Sweden, opted for the Philips Video 2000 cassette recorder system.

A key argument in obtaining approval was the recorder's unique 'auto repeat' feature. This enables sponsored programmes to be automatically replayed at pre-selected times via the motel's closed circuit distribution system.

And as the existing TV sets were not video compatible, Esso replaced them with new Philips colour television receivers; a total of 6000 being required to equip all 52 motels. A Philips Videopac computer, complete with writing cassette, can be connected into the system at any time so that motel information can also be displayed on each TV screen.



These are just a few examples of how Philips technology is serving business and industry. If you would like more information, contact your Philips organization or Philips Concern Marketing Support Department, VOA-0225, 5600 MD Eindhoven, The Netherlands (Telex: 35000 PHTC NL). Please indicate in which of the above subjects you are interested:

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## CEASE THE WAR

The Association for the Defense of Women's rights in Iran which convened a special meeting in Tehran on November 2nd, 1982 clandestinely, invites all those who cherish freedom to pressure the international community to find an effective solution to the war that opposes Iran to Iraq.

In a matter of months more than 150,000 men, women and children have been killed.

The state of war has aggravated shortages and other inconveniences which cause widespread misery in Iran.

At present, the economic and industrial growth of both countries is stunted with the continuance of this war.

The A.D.W.I. wishes to draw the attention of the international community to the inevitable consequences of this conflict regional for the time being. The effects it could eventually have on the world's peace may be devastating.

The A.D.W.I. invites all women and men to join forces with them to establish a peace committee to intervene and aid the Iranian and Iraqi people. This committee shall undertake any action, demonstration or protest that will enable a return to peace.

Paris, November 10th 1982

Association for the Defense of Women's rights in Iran

Send to: A.D.W.I., B.P. 8, 78750 MAREIL MARLY FRANCE

## Coup Attempt's Shadow Still Hangs Over Gambia

By Denis Herbstein  
International Herald Tribune

BANJUL, Gambia — As the airport bus wound through the hotel district, the guide offered a nugget of information: "The night curfew has been lifted." Two young women from the suburbs of London looked blankly at each other, and returned to their talk of sun, sand and male companionship. Forgotten — if it had ever been heard of — was the attempted coup of July 1981 that almost mired Gambia in bloodshed.

On the surface, life has returned to lethargic normalcy in Banjul, the capital built on a detached sandbank at the mouth of the Gambia River. This year's winter tourist season looks promising.

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The reasons given for the coup attempt by its leader, Kukoi Samya Sanyang, were corruption, nepotism, mismanagement and eco-

nomic deprivation under Sir Dawda's government. Still, the Gambians are proud of the fact that the captured prisoners are standing trial for treason rather than having been summarily executed. And there is other evidence of a national commitment to democracy.

Opposition parties operate fairly freely. Sheriff Mustapha Dibba, leader of the National Convention Party, won 27.6 percent of the votes in May's presidential election while imprisoned on charges of complicity in the July rebellion, of which he was subsequently acquitted. Also, Sir Dawda is expected to reprieve many, if not all, of the convicted rebels awaiting execution in Mile Two Prison.

But as Swacobon Conateh, director of Gambia's information service, said, "The coup made one thing obvious — Gambia cannot afford to go it alone, especially in security."

Casualties suffered by the Senegalese Army and gendarmerie place Gambia heavily in the debt of its French-speaking neighbor. Gambia has no army of its own and depended for its security on the Field Force of paramilitary policemen, a large proportion of whom led or joined the rebels. So the Senegalese security forces remain, making up the presidential guard and commanding the secu-

rity forces at the airport, the harbor and the ferry crossings.

Meanwhile, the two countries have moved closer to political integration. Last February, the Senegambia confederation came into being, with the two countries keeping separate governments but agreeing to merge their economic systems and armed forces and to coordinate foreign policies.

The effect on foreign policy was illustrated last week when Gambia, along with the English-speaking countries at ministerial talks to prepare for an Organization of African Unity summit in Tripoli, followed the French-speaking governments out of the conference hall in a protest involving Chad's representative.

The French and British civil servants who had traded off bits of

West Africa in the 19th century were responsible for the unworkable frontiers which virtually cut off Senegal from Casamance, its most fertile region. But without the attempted coup, said Mr. Conateh, "there would have been no confederation. It acted as a catalyst."

What happens next? First of all, Gambia will set up its own army from scratch with advice, training and officer facilities provided by Britain. The army will be Gambia's contribution to Senegambian security. And two delicate economic protocols, once signed, would put Gambia firmly in the French camp.

The first would begin the progressive elimination of tariff differences. This would end Gambia's role as an entry point for European goods destined for "re-export."



smuggling across the 500 miles (800 kilometers) of frontier into Senegal and often into nearby Mali, Guinea-Bissau and beyond. This smuggling is considered Gambia's principal source of revenue. The second protocol, on currency, would bring an end to ties with the British pound in favor of the French franc.

After this, despite promises to the contrary by Sir Dawda, constitutional unity appears to be unavoidable.

## Reform of Elite School Is Proving Painful to French Socialist Rulers

By John Vinocur  
New York Times Service

PARIS — Socialist France is moving these days to reform the institution that traditionally molds the national governing elite. It is a painful process because many of President François Mitterrand's most important aides have diplomas from the school for power. And many of them have some of the attitudes and style that marked politics here from de Gaulle through Valéry Giscard d'Estaing.

The discomfort surrounding the undertaking is real.

At a recent meeting, it took the cabinet five minutes to discuss the structural causes of French inflation. At the same session, the "democratization" of the Ecole Nationale d'Administration, the traditional manufacturer of the coun-

try's ruling class, was debated for an hour and a quarter.

In the end, its entrance requirements will probably change a little and the school will have a new director, but his task, in the words of a presidential aide, will be "not to break that beautiful machine."

The

issue causes so much

discomfort because it deals directly with what kind of men run things here. Apart from the familiar sound of much of their foreign policy discourse, all the evidence is that they are exactly the same type of people in terms of social class and education that managed

France from the late 1950s. Their dilemma is that they are committed to reforming traditional structures that instinctively command their loyalties at hand.

A French political scientist, Ezra Suleiman, isolated the problem two years before Mr. Mitterrand was elected. Once it takes power, he wrote, "the left will be confronted with a grave situation:

On one hand, its promises concerning equality require it to radically transform elitist structures; on the other hand, it could be forced to sacrifice its promises, or make some serious compromises, to maintain a certain continuity."

The continuity is certainly there. Taking as a guideline diploma

from the administration school, denounced for more than a decade by Socialists and Communists as the creator of a caste of bourgeois mandarins, the Mitterrand regime has very much the mark of what the campaign literature described as despised.

Minister of External Relations Claude Cheysson, External Trade Minister Michel Jobert, Planning Minister Michel Rocard and Research and Technology Minister Jean-Pierre Chevénement are all énarques, or graduates of the school, which is usually referred to as the ENA.

So are the advisers at the Elysée Palace in closest daily contact with Mr. Mitterrand; his special counselor, Jacques Attali; his chief of staff, Jean-Louis Bianco, and his counselor for international affairs, Hubert Vedrine.

Founded just after the war, ENA provides the state with a corps of extremely competent, executive-level civil servants, the true administrators of French life. The graduating classes usually number about 400.

About 80 percent of the students at the ENA — about one out of 10 applicants pass the competitive entrance exam — are described as coming from "very privileged families" and about 4 percent from working-class backgrounds.

Mr. Mitterrand's thinking about France and its élites, according to a friend, was that the country had to be opened up to people whose politics or trade union background had kept them out of the currents of power.

At the same time, France should become a place where no one felt that their life prospects were closed off when they were 18 years old, that there was a chance, as the friend said, "to get smart and good later."

Although all its details are not worked out, the ENA reform basically opens the school's admission boards to a wider spectrum of judges and sets aside a number of places in the school, probably one out of nine, for candidates who have served as locally elected officials or trade union officials.

By the count of one alumnus, that means about 15 "cut-rate énarques" a year. That, he said, is not such a bad number if you consider that the Communists and some left-wing Socialists used to go on about shutting the place down. Those who get through will either blend in or be marked down as "cut-rate" people. My guess is that most will be seduced."

## France Rehabilitates Algeria-Coup Generals

By Robert Evans  
Reuters

PARIS — President François Mitterrand of France, brushing aside strong opposition from his own Socialist Party and its Communist allies, has rehabilitated four generals who led an abortive riotist coup from Algiers in 1961.

Mr. Mitterrand, who bitterly condemned the generals at the time of their putsch against de Gaulle, sent the rehabilitation measure to the Socialist-controlled parliament Tuesday night as an is-

sue of confidence in his administration.

The president's maneuver headed off a potentially damaging confrontation with Socialist deputies in the National Assembly who voted last month to exclude the four generals from a government bill restoring the rights of officials involved in the coup.

The deputies, led by Pierre Joxe, argued that because the generals had been guilty of treason against the republic their crime should not be forgiven.

But Mr. Mitterrand, through Prime Minister Pierre Mauroy and other ministers, insisted that all of the 2,000 senior officers, policemen and civil servants involved in the coup attempt should be covered by the bill, which gives backdated pension rights and restores service ranks to the officials.

The four generals, of whom Raoul Salan, 85, and Edmond Jouhaud, 77, survive, were expelled from the army for their part in the attempted coup, launched after de Gaulle said he would grant independence to Algeria. The other two have died: Maurice Challe in 1978, and André Zeller in 1979.

Facing warnings from Mr. Joxe and a majority of his parliamentary colleagues that they would have to vote against the bill on its second reading, the president invoked a rarely applied constitutional provision.

This allows the government to make a bill an issue of overall confidence in its policies. The legislation is then passed automatically without a vote if no motion of censure is offered by any party in the National Assembly within 24 hours.

No party is expected to present a motion of censure.

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**RELATIVES' RELEASE DEMANDED** — Palestinian and Lebanese women staged a demonstration Wednesday outside the Beirut office of Prime Minister Shafiq al-Wazzan of Lebanon, demanding the release of relatives who were detained by the Lebanese army in West Beirut after the departure this summer of Palestine Liberation Organization forces.

## El Al to Be Dissolved, Opening Way For Creation of New Israeli Airline

Reuters

JERUSALEM — El Al, Israel's state airline, announced Wednesday that it was going into liquidation, opening the way for the government to set up a new national carrier.

After weeks of negotiations, the company said it had failed to win the support of its 5,000 employees for a drastic reorganization. The airline has accumulated a deficit of more than \$200 million in the last four years and has been plagued by labor disputes.

El Al has also been ordered by the government not to fly on the Sabbath and Jewish holidays.

The company's shareholders decided to "dissolve El Al and turn the decision over to the government and the court of law," the airline's chairman, Nachman Perl, said. El Al, Mr. Perl said, would be put in the hands of receivers.

The Israeli government owns most of El Al's shares and had said earlier that it would dismantle the company if negotiations with trade unions failed. The government has talked of setting up a new airline and Finance Minister Yoram Aridor said he expected that another national carrier would be established.

El Al unions, among Israel's most militant groups of workers, were expected to contest the decision fiercely. "We will do everything to get El Al back into the skies," said Gobi Salzman, a union representative.

Last month, airline employees and their children blocked roads and runways at Ben-Gurion International Airport for more than a day to protest a liquidation threat by the government.

In September, the El Al board grounded planes over a dispute with cabin staff. It resumed negotiations on staff cuts and wage reductions, but failed to gain the pilots' agreement to fly longer hours. The pilots said it would flout air safety regulations.

El Al workers have said the government was using the airline as a test case to trim unprofitable state companies. The staff, who earn wages far above the national average, gained only scant support last month when trade unions tried to organize sympathy strikes.

### U.K. Labor Team Stays Unchanged

Reuters

LONDON — Michael Foot, leader of Britain's opposition Labor Party, named a largely unchanged shadow cabinet Wednesday after the promotion of one of his allies was blocked.

The roots began shrinking after the 1973 Middle East war because of increasing fuel prices, competition from charter flights and Arab efforts to limit its operations.

A national airline is viewed as vital to Israel's strategic interests to ensure that the country is not cut off from the world in wartime and can transport reservists.

El Al's present fleet consists of 18 Boeing aircraft — eight jumbo 747s, eight 707s, and two 737s. Four Boeing 767 aircraft are on order.

The government controls 75 percent of El Al's holding shares, the United Jewish Appeal owns 15 percent and the remainder is in the hands of several large corporations.

El Al workers have said the government was using the airline as a test case to trim unprofitable state companies. The staff, who earn wages far above the national average, gained only scant support last month when trade unions tried to organize sympathy strikes.

The move was initiated by religious parties in Prime Minister Menachem Begin's rightist coalition, El Al estimated the order would add another \$30 million to its annual losses.

Set up after the birth of modern Israel in 1948, El Al at one stage operated an international network that stretched to Europe, southern Africa, North and Central America and Iran.

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## Christians, Druze in Lebanon's Chuf Say Israel Has Encouraged Fighting

By David B. Ottaway  
Washington Post Service

KFARMATTA, Lebanon — The bloodletting between Christians and Moslem Druze has been over in this Chuf mountain village for a month now. The Lebanese Army has moved in to keep the peace and the Israelis and their Christian militia allies have gone.

Yet the Christians, many of whose homes were badly damaged in the fighting, have mostly abandoned this Druze-dominated village out of continuing fear for their safety. Half the streets are abandoned, many stores closed and the one village school destroyed.

"Before, we had peace in the area," said the Druze mayor, Fuad Khadjaj, sadly. "We lived together like one big family. Then the Israelis came and played Christians against the Druze."

The mayor blamed the current plight of Kfarmatta, a mountain-side village of 5,500, on the Christian Lebanese Forces which he said had come here in July, set up a checkpoint and then opened a training camp with Israeli blessings "in all the name of protecting the minority Christian population."

Soon the Christians fell to bickering, and then fighting, with the militia of the Druze Progressive Socialist Party which dominates politics here, as in most Druze villages of the Chuf.

Najib Haddad, 84, a Christian farmer, said that only seven of the 100 Christian families remained after the fighting stopped, most of them made up of old people like himself. He said they were not likely to come back right away because their homes were damaged, winter rains had set in and, above all, "they are afraid."

The Christians fear the Druze will massacre them, as they have in the past. The Druze, for their part, are up in arms because the 20,000-member militia of the Lebanese Forces has moved into the Chuf behind the Israeli Army. They say the Christians are out to impose their authority on the historic mountain stronghold of the Druze.

The Druze, who number about 200,000 in Lebanon, are an offshoot of the Shiite branch of Islam but have their own esoteric practices. They were traditionally the feudal lords of the Chuf, and the Maronite Christians were their serfs who progressively bought land and implanted themselves, sometimes in separate communities but often living side by side with the Druze. Today the Christians are outnumbered two to one by the Druze.

Officials of the Lebanese Christian militias say they are only trying to establish a balance of power between Christians and Druze and end what they allege is the Christian status as second-class citizens.

About the only thing Druze and Christian leaders here seem to agree on is that Israel has played a major and deliberate role in stoking the flames of sectarian strife, both sides citing numerous specific incidents as proof.

When asked why it might be doing this, the constant refrain from both Druze and Christians is, "divide and rule."

Here and in a half-dozen other villages of the Chuf this past week, both Druze and Christian villagers accused the Israelis of offering, or providing, arms first to one side and then to the other. One village they cite where this allegedly happened is Ain Zhalta, in the eastern Chuf.

The Israelis, they say, have even fired into both Christian and Druze quarters, as here in Kfarmatta, and they believe this was done to get the two sides shooting at each other.

Even top officials of the Lebanese Forces, Israel's closest ally in Lebanon, now seem to believe their supporters are deliberately inciting trouble for their own political ends.

"The Druze have the green light from Israel," said Karim Palabouni, a top Lebanese Forces figure. He added, "Israel is using the Chuf with the aim of pressuring [President Amin] Gemayel," referring to the Israeli demand for a peace treaty or at least the normalization of relations between the two countries.

Particularly troublesome to Lebanese Forces' leaders is why the Israeli Army suddenly pulled out of the village of Kfarabduh on Nov. 8 just before a Druze attack on a Christian funeral procession that left 10 dead and 13 wounded. Later, they returned again.

Even Fady Freij, the new leader of the Forces' command council, is publicly asking this question while still saying there is no concrete proof of Israeli guilt in instigating incidents in the Chuf.

To what extent Israel is responsible for the worsening strife is debatable, but there can be little doubt its policy in the Chuf has abetted, willingly or not, the rekindling of traditional animosities between the two communities.

From the time the Israeli Army entered the Chuf during the first week of its June invasion of Lebanon, it has been working hand-in-hand with the Lebanese Forces seeking to expand its authority there.

In Beit Iddin, the old government summer capital, the Israelis even forced a mostly Druze battalion of the regular Lebanese Army to leave its barracks, after it mildly

resisted their entry into the town, and then turned them over to the Lebanese Forces.

In Jezzine, further to the south, the Israelis have allowed the Lebanese Forces to set up two training camps deep inside a region supposedly controlled by the Christian-led militia force of their other ally, Major Saad Haddad.

On the main Beirut-Damascus highway and in a half-dozen other villages of the Chuf this past week, both Druze and Christians are allowed by the Israelis to man checkpoints and check identity papers — a major source of irritation to the Druze.

At the same time, the Israeli Army, under pressure from Israel's own highly vocal Druze population, has allowed the Druze of the Chuf to keep their arms and militia and also have gotten deeply involved in their internal politics.

It has established a close relationship with Majid Arslan, the leader of the conservative Druze faction, and has tried to forge an alliance between him and the Lebanese Forces against Walid Jumblat, the leftist Druze leader whose Progressive Socialist Party.

Israeli Druze leaders come and go freely through Israeli Army lines in southern Lebanon to the Chuf, and there are persistent reports that Druze militiamen, which Israel armed and organized in the southern town of Hasbaya, have come north to aid their brethren here.

On Tuesday, the situation was still extremely tense throughout the Chuf, with the Israeli Lebanese Forces and Druze all guarding roadblocks at various points and cutting access to some towns after eight bodies reportedly Christians were found in the bottom of a well in Ain Zhalta.

■ **Iranian Attacks Reported**

Earlier, the Washington Post reported from Beirut:

Lebanon had "pretty reliable sources" which said members of an Iranian Revolutionary Guard contingent in the eastern town of Baabda were behind an attack Monday night on the Lebanese Army barracks there which left three of the masked attackers dead and two Lebanese soldiers wounded, according to a high-ranking Foreign Ministry source.

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The issue of Iranian involvement was discussed in a meeting Tuesday between Foreign Minister Elie Salem and Muhsin Fakhr-Rouhani, the Iranian ambassador, who was said to have denied there were any Iranians in Baabda at all.

Lebanese security sources Tuesday identified one of the men killed Monday night in the attack on the barracks as belonging to a Lebanese armed organization which it did not name, and a second as "an Iranian national."

The troubles began Sunday when demonstrators occupied the city hall and tore down decorations for celebrations marking Lebanon's Independence Day.

■ **Wine is meant to be enjoyed, not analyzed to death.**

The Herald Tribune's new book by Jon Winroth makes light of wine snobbery but sparkles with facts.

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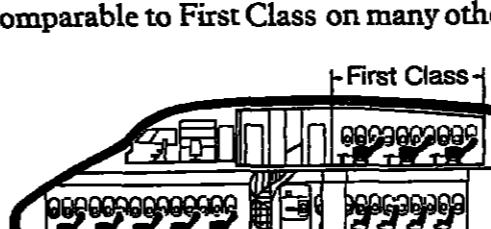
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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Doubts on 'Dense Pack'

By deciding to deploy 100 MX missiles in a "dense pack" base, President Ronald Reagan is planning strategic warfare according to the principles of *jihad* — using the opponent's own strength and weight to flip and defeat him. The closely spaced silos are meant to save at least half the missiles under attack. The blast, radiation and debris from the first enemy warheads would defeat or destroy those that follow; that is "fratricide." If this scheme assured the survivability of U.S. land-based missiles, it would be worth \$26 billion.

But there are many deep doubts. The *jihad* might work in reverse, flipping the United States into greater vulnerability. The White House plucked this quick fix out of nowhere to meet an unwarranted Congressional deadline of Dec. 1 — after a futile, decade-long search among 34 other basing plans. That does not necessarily disqualify dense pack. But it certainly argues for the most searching Congressional scrutiny.

One claim for the new weapon should be laid aside quickly. Mr. Reagan presented the most provocative military scheme of his presidency as an arms control measure; his press spokesman went so far as to refer to the MX as a "bargaining chip." But the Reagan arms control proposals do not offer to abandon or reduce this deployment. Besides, the history of nuclear bargaining chips is that they are rarely persuasive until deployed, and once deployed they are very hard to abandon.

The technical issues are beyond us; perhaps only a few dozen Americans are quali-

fied to make the necessary engineering and military calculations. Critics have envisaged new technologies that could defeat the plan, and the Pentagon acknowledges that the Russians might develop them. So the argument is over how fast dense pack could be deployed and how long the Pentagon could stay ahead of Soviet responses.

Dr. Charles Townes, the Nobel physicist who directed the administration's two main MX studies, is extremely skeptical about the time it would take to develop the super-hard silos required by dense pack. The delays involved could invalidate the concept. Even the administration's timetable gives the MX only a brief gap-closing role pending deployment of a truly invulnerable and stable system, the submarine-launched Trident-2. Not many MX missiles would be deployed until 1987; the first 24 Trident-2's will be at sea by 1989.

The main argument for MX is that it would be a match for the heaviest Soviet missiles. It is a highly accurate first-strike weapon, carrying 10 warheads designed to destroy Soviet missiles in their silos. But in a dense-pack base, it would have to be fired within hours. If the Russians thought it vulnerable, it could in a crisis evoke a preemptive attack or cause a crisis to fire too soon.

An effective defense should be moving the arms race toward stability. Congress should ask, again and again, whether the United States really wants a weapon that buys so little time but ignites so many risks.

—THE NEW YORK TIMES.

## Helping the Lebanese

What Lebanon needs is quite clear and quite difficult. It needs all the help it can get in removing foreign forces: Israel's, Syria's and those of the Palestine Liberation Organization. But the Lebanese are out of the habit of self-restraint, and so that they do not simply resume their mutually murderous ways, those foreign forces must be replaced by a larger, more vigorous peacekeeping unit supported by many nations. The two steps must go hand in hand.

To be sure, this has been the plan for Lebanon since last summer. The difficulties of putting it into effect, however, have loomed larger since it became evident that the withdrawal target of the end of the year was a fantasy. A certain level of sectarian strife and local insubordination has resumed, and talks on foreign withdrawal have yet to get off the ground. There is a tendency in some quarters to flee from the sheer disagreeableness of the situation into a simple critique of one party, mostly Israel.

The criticism is typically exaggerated and nasty. The fact is, however, that Israel does have a whole other and higher priority than seeing Lebanon made healthy and whole again. It is to remake Lebanon-Israeli relations. One can understand why the Israelis, having paid in blood, treasure and international standing for their invasion, should want to set the price of their withdrawal.

—THE WASHINGTON POST.

## Other Opinion

### Reagan and Andropov

On the same day this week Mr. Reagan and Mr. Andropov talked about the fears of their countrymen. They discussed the danger of war caused by the threatening behavior of the other side, and positioned the search for peace in the area of arms control and a reduction in the size of their arsenals. The rest of the world can listen to this familiar litany, much as any church congregation listens to the prayers made on its behalf — normally uninspired, often uncomprehending.

The new Soviet leadership at least is not now impeded by the illness which inhibited Mr. Brezhnev's ability to represent his country at the summit. It is time for Mr. Reagan to put the details on one side and confront Mr. Andropov across a table.

—The Times (London).

On both sides the tone was somewhat more urbane, perhaps even conciliatory, than we have been accustomed to for some time, but it is far too soon to rush to the conclusion that the change of leadership in Moscow will lead to a genuine easing of relations between the two superpowers.

—The Financial Times (London).

Mr. Reagan addressed himself as much to the Pentagon, which was waiting for its new MX missile, as to public opinion, whose fears about a possible nuclear war he said he understood. In the same way, Mr. Andropov sought to reassure both his military — referring to an "obligation" to equip it with "everything necessary" — and his consumers, to whom he promised new reforms.

Mr. Reagan struck a new note in saluting the "serious attitude" of the Russians at the Geneva negotiations, and he accompanied his decision on the MX missiles with new offers on "measures of confidence" to reduce

the risks of nuclear war. Mr. Andropov said he would not make any unilateral concession or meet any condition for the resumption of dialogue, but his tone was clearly less virulent than that of Leonid Brezhnev in his last speech on Oct. 27.

—Le Monde (Paris).

### Women and Sports

The sport bosses in Pakistan, in spite of appeals from different quarters, decided to keep Pakistani women out of the Ninth Asian Games in New Delhi. It is difficult to understand the logic of this decision, especially when our women have been participating in international meets on earlier occasions and were also represented at the last Asian Games in Bangkok in 1978.

When women were excluded from the 19th National Games held in Peshawar last April, we had pointed out that all the arguments in sports — such as the importance of physical fitness, healthy competition, recreation and the development of sportsmanship as an attitude of mind — held equally well for women.

International sport meets play an important role in promoting goodwill and understanding among nations. Other Moslem women have played this role well, and sports women from Islamic countries such as Malaysia and Indonesia were selected to participate in the New Delhi Games.

Equally important is the sanction of human rights. The UN Charter reaffirms faith in the "dignity and worth of the human person" and in the "equal rights of men and women." The Universal Declaration of Human Rights forbids discrimination of any kind, including sex, in the enjoyment of human rights. These two documents the Pakistani government is juristically and morally committed to uphold.

— Dawn (Karachi).

### NOV. 25: FROM OUR PAGES 75 AND 50 YEARS AGO

#### 1907: America's Potential

**PARIS** — Today's editorial in the Herald reads: "In the existing crisis, Americans do not need to be reminded that the underlying conditions in the United States are perfectly sound. The country is young and growing at a tremendous rate; the coal and mineral mines are virtually inexhaustible; the soil is marvelously fertile; the American people are industrious, ingenious and courageous. The present output of industry is enormous, but the development of the country's resources is in its infancy. Every year the railway network brings a larger area into the range of manufacturing and commercial interests. Such facts are not nullified by the intrigues of professional bears."

#### 1932: Hitler Is Turned Down

**BERLIN** — President von Hindenburg rejected Adolf Hitler's proposal to be made chancellor of a presidential cabinet. The president admitted frankly that the reason for his refusal was his fear that the National-Socialist leader would use extraordinary powers of the constitution, if he were given such a post, to create party dictatorship over Germany. In a letter to the Nazi chieftain, the president stated that he could not give presidential power of attorney to the leader of a party that has again and again stressed its exclusiveness. Hitler refused in an interview with General von Schleicher to be represented in a neutral cabinet, insisting on heading the ministry himself.

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## The Bishops' Letter: Noble Goals, Faulty Means

By Ernest Conine

**L**OS ANGELES — I doubt that the fellow who first warned that the road to perdition is paved with good intentions would have had much standing at the annual meeting of the National Conference of Catholic Bishops last week. As they move toward completion of their pastoral letter on nuclear arms, however, the bishops might find it helpful to keep the admonition in mind.

The gathering of American bishops was historic. For four days they debated a proposed pastoral statement that would not only condemn nuclear war but, if implemented, might also put the United States on the road to unilateral nuclear disarmament.

After further refinement, the document is expected to be accepted formally at a special meeting in Chicago next May.

The pastoral letter makes the stark observation that "Today, the destructive potential of the nuclear powers threatens the sovereignty of God over the world he has brought into being." It adds, "We could destroy his work."

Unfortunately, though, the draft statement fails to give a satisfactory answer to the profound moral dilemma of our time: How can democratic societies defend themselves and their values in the age of nuclear weapons without compromising those very values?

The right and duty of religious leaders, whether they be Roman Catholic bishops or Baptist fundamentalists, to inject themselves into the arms debate should be obvious. To most non-theologians, however, it is just as obvious that moral purpose should be fashioned to produce moral results. And it is here that the bishops' draft pastoral letter is open to challenge.

Michael Novak, the lay Catholic theologian, may be unduly alarmist when he concludes that the letter "moves the world very close to war" by putting the strategy of nuclear deterrence into moral purgatory. But again he may not.

The draft declaration, as it stands, condemns as immoral any first use of nuclear weapons. It condemns the use of such weapons against civilian population centers or targets near them, even in retaliation for a nuclear attack.

Most important, it comes very close to condemning the mere possession of nuclear weapons, whether or not a potential adversary has them, as well as a strategy of deterrence that rests on a threat to use nuclear weapons if the other side uses them first.

The issue of nuclear deterrence —

what is morally acceptable and what is not — is at the heart of the bishops' debate. It was not entirely settled at the conference last week.

Until now, U.S. policy has been to keep the Russians deterred from any thought of nuclear attack by threatening the utter destruction of the Soviet Union in return.

In Western Europe, the threat is carried a step further in consideration of the Russians' huge conventional forces: Moscow is on notice that nuclear forces will be employed, if necessary, to stop a Soviet invasion whether or not the attack is nuclear.

This first-use-if-necessary policy may raise disturbing moral questions. So does the threat to kill millions of innocent Russian civilians if Soviet leaders are ever so foolish as to order a nuclear attack on the United States.

But the existing policy of deterrence has one important thing going for it: For 37 years it has worked. There has been no war, nuclear or non-nuclear, between the great powers. That is surely a moral result that cannot be lightly dismissed.

It is worth pondering the point made by a ranking European foreign policy-maker, an off-the-record meeting a few days ago:

About 15 million Europeans died in World War I, he observed, and

51 million others — equal to the total number of Catholics in the United States — perished in World War II. That being the case, most Europeans are not interested in bin-the-bomb solutions that might in fact make a bloody war more likely.

Some of the bishops, an apparent minority, are unabashed proponents of unilateral nuclear disarmament by the United States.

Bishop Thomas Gumbleton of Detroit offered an eye-opening insight into this mind set in a recent television appearance. The bishop, when asked if he did not fear what might happen if the Western nations dismantled their nuclear arsenals but the Russians refused to follow, replied that Christians had undergone martyrdom before and might again.

That may be an impeccably appropriate theological approach, but it is highly doubtful that many Catholics or non-Catholics are prepared to trade nuclear deterrence for martyrdom just yet.

One gathers that most American bishops are uncomfortable with the idea of unilateral disarmament and deny that is their aim. The draft letter, in fact, keeps open the possibility that a policy of nuclear deterrence can be morally acceptable — at least if one never intends or threatens to use it.

Los Angeles Times

## Offering Thanks in Hard Times

By James Reston

**WASHINGTON** — A modern Thanksgiving Day proclamation: For all that we are about to receive — new "peacekeeping" missiles in Wyoming, the highest unemployment rates since the Great Depression, and the biggest federal budget deficits since the last World War — let us give thanks.

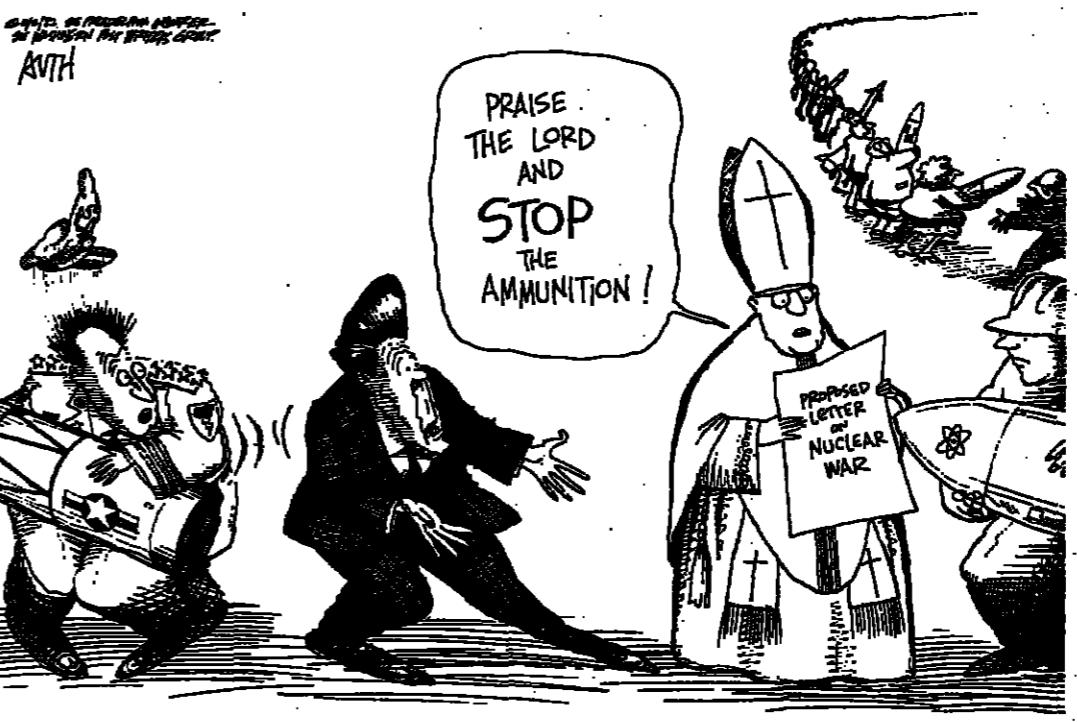
For all that we have received, life, liberty, and the pursuit of profit — let us give thanks by cutting taxes.

For all that we want to receive — higher wages, lower prices — let us go on strike.

Catholic theologians have no objection on that moral goal. The question is how to get there: through patient, eye-wide-open negotiations or through unilateral reductions that, if unmatched by Moscow, could put in grave peril the human values cherished by Catholics and non-Catholics alike, and make war more likely rather than less.

Just as questions of war and the avoidance of war cannot be left to generals and think-tank intellectuals, neither can they be left to priests and preachers.

Los Angeles Times



## The Many Vulnerabilities of the New MX System

By Kosta Tsipis

**C**AMBRIDGE, Massachusetts — The Reagan administration's choice of the "dense pack" basing mode for the MX missile — putting 100 missile silos into 14 square miles (40 square kilometers) of land — would create a system more vulnerable to a Soviet attack than the rest of the U.S. land-based intercontinental ballistic missiles.

For its protection, dense pack is designed to exploit a phenomenon called "fratricide" — the effects caused by a detonating nuclear weapon on destroying others nearby before they reach their targets. The effect of fratricide weakens with distance and, so closer together the targets (in this case, MX silos), the stronger the fratricidal effects of detonating Soviet weapons targeted on these silos will be against other incoming warheads. The Pentagon would place the 100 MX missile silos 1,800 feet (340 meters) apart in alternating rows of two and three in a north-south column 14 miles (22.4 kilometers) long. It is argued that in such a narrow area the fratricide effect would defeat a large-scale Soviet attack.

The destructive effects of fratricide are well known. One 20-megaton bomb is equivalent to 20 million to 25 million tons of dynamite. One such bomb could crush a dense-pack silo 2,600 feet away. Aimed at the center of a row of three silos, this large bomb would destroy the center silo plus the neighboring six silos.

Even if the Soviet missiles work the way they are supposed to only half of the time, dense pack would be destroyed by a flight of 60 such missiles timed to arrive over the area within three seconds of one another.

These missiles would avoid all fratricidal effects if they were fitted with clocks that made all of them detonate within one-millionth of a second. Such clocks are commercially available, so it can be assumed the Russians have them.

Another way to defeat dense pack is to use nuclear bombs that penetrate the ground before they explode. This would prevent all fratricidal effects and would dig up or bury tens of feet of dirt all the silos even if the arrival of the Soviet missiles was badly mistimed. The Russians do not have such weapons now, but they can build them in the 5 to 10 years that it would take to build dense pack.

Sending two waves of missiles is still another way to destroy dense pack. The missiles in each wave could be aimed at rows of dense-pack silos 11,000 feet apart and timed to explode at 1.5-second intervals. The first wave would destroy 46 silos and the second wave, which would be 10 feet under more than 10 feet of dirt. The second wave, which would come 20 minutes later to avoid the fratricidal effects of the first wave, would destroy 38 silos and bury the remaining 16 under more than 15 feet of dirt. In the interim, the missiles spared by the first wave could be prevented from leaving their silos by Soviet bombs exploding high above the field, one minute.

The only means to reduce the vulnerability of dense pack would be to install an anti-ballistic-missile system around it for protection. In fact, the proposed configuration — a long, thin column stretching north



**VOLCANIC DAMAGE** — Two cockpit windows in a Nauru Airlines jet were cracked Tuesday by debris from Japan's Sakurajima volcano. The airliner, carrying 47 persons, returned safely to Kagoshima Airport, about 400 miles (640 kilometers) from Tokyo. Officials said eight other planes have been hit. Routes bypassing the debris have been designed.

## South Korea Coproduces U.S. Jets To Challenge the North's Air Power

By Sam Jameson  
Los Angeles Times Service

**SEOUL** — For years, North Korea's 2-1 edge in air power has threatened South Korea, but now South Korea has taken a big step up on the North by beginning coproduction with Northrop Corp. of F-5F and F-5E jet fighters. Facing a North Korean Air Force of an estimated 720 fixed-wing combat aircraft, the South, with about 380 warplanes, cannot soon hope to catch up numerically. But already the South has surpassed the Communist North in the number of modern fighters and, with coproduction of the Northrop planes, is looking forward to additional qualitative gains.

The first successful test flight of an F-5F two-seat, trainer-reconnaissance-fighter jet coproduced here was conducted in September, and President Chun Doo Hwan welcomed the event as an indication that "we will be able to safeguard our own airspace with aircraft of our own making before long."

A month later, Defense Minister Yoo Sung Min said that the beginning of coproduction of the F-5F, and later of the F-5E single-seat fighter, will help South Korea's defense industry "surpass that of the North in the near future."

South Korean leaders, however, stopped short of spelling out exactly how much of an advance their air force is making.

Within the last several years, South Korea has modernized its air force while carrying out a modest expansion through the purchase of finished Northrop F-5Es and F-5Fs. Asagumo, an authoritative Japanese newspaper specializing in military news, reports that South Korea possesses 221 F-5E and F-5F aircraft and about 60 F-4D and F-4E Phantoms.

The modern F-5s and the F-4s both are rated as equal to or better than the MiG-21, the most modern plane in the North Korean Air Force.

With at most 180 MiG-21s in

coproduction but he added that he assumes the program will be continued.

KAL, the only commercial airline in the world engaged in the manufacture of military aircraft, got into the business because the company employed many of South Korea's trained aeronautic mechanics, Mr. Cho said.

Its first step into aircraft production was in 1976, when it began coproducing Hughes 500-MD helicopters modified to mount four anti-tank missiles, Mr. Cho said.

With its own 1,000 tanks squared off against an estimated 2,000 North Korean tanks, South Korea felt a need to bolster its anti-tank warfare capability, Mr. Cho said.

KAL paid Hughes \$5 million for research and development and Hughes came up with a modified helicopter that costs \$900,000 when equipped with anti-tank missiles, Mr. Cho said. Coproduction of about 200 helicopters is scheduled to end next year, he added.

Coproduction of the helicopters made KAL the logical candidate for F-5F and F-5E co-production.

At the start, South Korea is manufacturing only about 20 percent of the F-5F's contents but is aiming to increase local content to 75 percent by 1986, Mr. Cho said.

The South Korean government is willing to pay the premium in order to develop higher technological skills here — both for military and economic reasons, Mr. Cho said. Militarily, South Korea could not afford to send planes hit by groundfires during a war back to California for repairs. And economically, the nation must move out of labor-intensive exports into high-value, technology-intensive products as "our next line of exports," he said.

In the meantime, at least, the advantage continues to swing toward the South.

Mr. Cho, the KAL vice president, said that no plans have yet been formed for post-1986 F-5

### MEMORIAL NOTICE

HAROLD A. RITTER died on November 19. A memorial mass will be held on Friday, November 26 at Saint Joseph's Church, 30 Avenue Hoche, Paris, at 11 a.m.

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## New Textbook Rules Announced by Japan

The Associated Press

TOKYO — Education Minister Heiji Ogawa announced Wednesday new criteria for screening of Japanese textbooks.

The action is intended to ease friction with Asian nations that had protested "whitewashing" of accounts of Japanese military actions before and during World War II.

Mr. Ogawa said the committees that review textbooks for the Education Ministry should give "necessary consideration to the promotion of international understanding and cooperation in dealing with recent historical events between Japan and its neighboring Asian nations."

However, Mr. Ogawa's statement avoided direct comment on passages that angered Japan's neighbors, principally the ministry's "guidance" that the word "invasion" be changed to the more ambiguous "advance" in describing Japan's invasion of China.

That alteration, along with several others involving China and Korea, created a diplomatic dispute that shook the government of Prime Minister Zenko Suzuki in the late summer.

China and South Korea asserted that revisions in high school textbooks toned down accounts of Japan's wartime crimes and were a precursor to a revival of Japanese militarism.

Mr. Ogawa also said that the process of screening new textbooks should be moved up by one year, to 1983, and that "appropriate"

changes should be made in the texts.

Kiichi Miyazawa, the chief cabinet secretary, said the government informed the embassies of China and South Korea on Wednesday about the new criteria. He said he hoped the two countries would eventually understand Japan's position.

The new measure was approved following a recommendation made by the Education Ministry's Textbook Authorization and Research Council on Nov. 16.

### Rights Activists Says Philippines Repression Groups

Reuters

HONG KONG — Philippines human rights campaigner Jose Diokno said here Wednesday that repression in his country had worsened in the last year and he predicted that 1983 would be even bleaker.

Calling on international condemnation of the government of President Ferdinand E. Marcos, he declared: "Violations of human rights range from unjust arrests to torture to outright massacres."

Senator Diokno, who heads the Free Legal Assistance Group, cited an alleged massacre by the military at the town of Roxas in southern Zamboanga province last June.

He said that 13 suspected members of the communist New People's Army were taken from a house with their hands tied behind their backs and later found shot to death, still bound.

The senator is here for talks with the Hong Kong branch of Amnesty International.

Mr. Diokno said, "I think it is going to get worse in 1983. I do not expect economic recovery to start before 1984 and the people will become more restless and the government will thus take more and more repressive measures."

The Vietnamese press agency said the mill could produce 55,000 tons of writing and printing paper a year.

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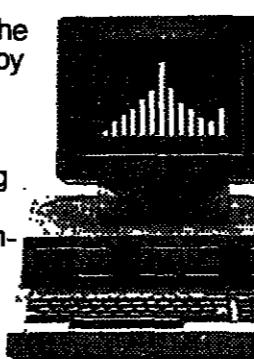
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# BRAINS & BEAUTY



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## SCIENCE

# Amazon Project To Save Wildlife

By Warren Hoge

*New York Times Service*

**M**ANAUS, Brazil — At night, bats swooped through the jungle leaning to the group of visitors to the Amazon. Tashed their hammocks in place. By morning, the group was picking its dark and damp way along the forest floor, 130 feet beneath the canopy of tree tops and the spotty dawn's light.

"Hear that squeaking hinge? That's a toucan," said Dr. Richard Bierregaard Jr. Moments later, he was training his binoculars on a formation of five parrots that had swept into view. "That's an odd sighting," he said. "Parrots mate for life. The odd one must be an early widower or a juvenile."

Judy M. Rankin was gingerly scooping up petals, tendrils and leaves from the ground. "This one was cut right through by a beetle with very sharp mandibles," she said. Thunder rumbled overhead. It was raining heavily, but it would be 10 minutes before drops penetrated the leafy understory to where Miss Rankin was now examining the bark of a towering trunk.

She, Dr. Bierregaard and other scientists here are engaged in a 20-year project, keeping such a watch on everything that happens inside specific jungle parcels that have been selected for preservation in parts of the Amazon that are being cleared for farming and cattle raising. They study them while they are still part of the undisturbed rain forest, then study them once they are isolated, to monitor the deterioration of plant and animal life.

**O**THER scientists have pursued the same kind of research, examining mountaintops, coral heads, forest fragments and islands that were once part of mainlands. But until now no one has ever done so with a secure knowledge of what existed in the target zone before its isolation. John Terborgh, a tropical ecologist from Princeton University, calls the ambitious approach here "so grandiose it verges on the undoable." He added that it was "exciting" that someone "would even try it."

The joint American-Brazilian project, now in its fourth year, has a limited and environmentally sober objective. There is no hope of rescuing the Brazilian jungle from exploitation, and no intention of trying. Instead, the goal is to determine, in the words of the project's architect and co-director, Thomas E. Lovejoy, "the minimum critical size of ecosystems."

The nets have ample give and do

The vital signs of everything down to ant colonies are being recorded by the specialists working under the auspices of the World Wildlife Fund in Washington and Brazil's National Institute for Research on Amazonia, based in Manaus.

The tropical forests that still exist across the middle latitudes of the globe hold at least half of the 10 million to 12 million animal and plant species on the planet. "The tropical rain forest is the greatest expression of life on earth," said Mr. Lovejoy, who is vice president for science of the Washington organization.

These forests are being leveled for colonizing, pasture, timber and other commercial purposes at a rate of 50 million acres a year.

The Amazon harbors plant and animal associations of bumbling complexity. Insects, bats and moths pollinate flowers on trees, which produce nuts that are cracked open by rodents who deposit the residue in select soils for new cycles of germination. One type of creeping bean plant must spend time inside the belly of an Amazon fish before being excreted into a particular kind of mud, where the life pattern starts again.

Sand dunes along the roadside leading north out of Manaus into the jungle are stark evidence of what can happen when these kinds of interdependences are disregarded.

The scientists track these life patterns with an odd assortment of gear. There are cans of fermenting banana to attract fruit flies, extracts of a flower scent that is sexually alluring to butterflies, colored stakes and ribbons to mark special areas of scrutiny, piles of newspapers for pressing, plant specimens, bottles of alcohol for preserving fluids and lots of small plastic bags.

In the project's 25-acre reserve, two hours north of Manaus by jeep, Miss Rankin has listed 350 species of trees with a trunk width of four inches or more. She estimated that a similar piece of forest in New England would yield no more than 20. "And if you increased the area you wouldn't keep finding new ones the way you do here," she added.

Under Dr. Bierregaard, the project's field director, team members have banded 7,000 birds, tracking their evolution and movements about the jungle by repeated captures. They use barely visible black nylon nets strung across the middle of the reserves at a six-foot level.

The nets have ample give and do

*The New York Times*

not harm the birds caught in them. Once they are checked for species, sex and feather molting and weighed on a hand scale, the birds are released, always in the same spot.

One of the project's purposes is to measure the range of the 150 species thus far turned up, and one of its conclusions is that birds with wider ranges, like those that feed on swarming army ants, do not last long in the smaller areas.

The data are recorded on cards and then entered into a computer located in Dr. Bierregaard's bedroom in Manaus, where an accumulating clutter of field equipment, literature and household gear has taken on a riotous tropical growth momentum of its own.

The 25-acre reserve has already lost some of its monkey population only two years after being isolated by the cattlemen who turned the surrounding area into pasture land by burning it. Two saki monkeys were not able to find enough fruit trees and vanished. A band of golden-handed tamarin monkeys also disappeared, though howler monkeys, which eat foliage, seem to be adapting.

In a 2.5-acre reserve created at the same time, the bird count soared, as avian populations from the torched areas flooded into the green patch in a phenomenon called "influx," documented for the first time by the scientists on the project.

The project has already marked off 23 reserves, ranging as large as 25,000 acres. Only the 2.5-acre and 25-acre reserves have been isolated so far, but the delay in clearing around the others is simply giving the scientists more time to study the makeup and behavior of the intruders into the reserves by local colonizers ended abruptly when word spread that the bird nets could trap humans in a spidery death clutch. Dr. Bierregaard said he decided there was an advantage in not disavowing the rumors.

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Dr. Bier

\* THURSDAY, NOVEMBER 25, 1982

## CONSTRUCTION IN THE ARAB WORLD

A SPECIAL REPORT

## Fall in Oil Income, Slow Growth Hone Competitive Edge

By Robert Bailey

**T**HE ARAB construction market is becoming more competitive and sophisticated against a background of lower oil revenues and slower rates of growth.

Plans and priorities vary considerably throughout the region. Algeria is concentrating its efforts on building homes. Libya is planning a prestige 54-story "Arab Unity" skyscraper. Expenditure in many instances remains huge despite political tensions and falling oil sales. The most remarkable characteristic of the Arab construction market has been how the spending of Iraq and Saudi Arabia has continued at a relatively high level in the last two years in the face of declining hydrocarbons income and in Iraq's case the mounting costs of its war effort.

However, there is little doubt the anxieties felt by foreign contractors about payment schedules and that overall development throughout the Arab world is becoming less frenetic than in the recent past. But the sheer scale of business is too attractive a bait for foreign companies to avoid.

The lure of the market is illustrated by Saudi Arabia, whose construction spending in 1981 accounted for about 20 percent of gross national product. Contracts awarded totaled 170 billion riyals.

Spectacular awards, such as Iraq's Mosul Dam project and the Bahrain-Saudi Arabia causeway, are occurring less often but with sufficient regularity to suggest the area will be the source of much of the developing world's most lucrative business for many years to come.

But there is no guarantee of work for foreign companies. Local companies and regional joint ventures have gained a significant slice of the market, particularly for work involving less involved technology than petrochemical developments and defense projects. Far Eastern contractors, notably those from South Korea and Japan, continue to mop up many of the biggest awards. It is a trend that shows no sign of slackening, in spite of spirited West German, French and Italian competition.

## ALGERIA

Algeria celebrated its 30th anniversary as an independent nation in July this year, but among national achievements building and public works earn low marks. Low productivity in state construction companies and bureaucratic controls have depressed the sector, but it is taking on increasing importance as ministers try to overcome a chronic housing shortage.

While the earthquake at El Cheffif diverted official attention, administrative slowdowns have also slowed progress. The result is a shanty town existence for many people. Only 28,000 homes were completed in 1981, but it is hoped the figure will reach 70,000 in 1982. The target is 100,000 homes a year by 1984.

Whether this political aim is achieved will depend on the success of a prefabricated building program. Algeria cannot meet the target on its own and contracts have been negotiated with Brazilian, French and other West European contractors. The state-controlled Office National de la Construction en Préfabriqué was formed in March this year to coordinate the program. The office is expected to have awarded contracts worth \$1.5 billion by the end of 1982 for the supply of 5 million square meters (10.5 million square yards) of housing.

The budgeted spending on housing may rise another 40 percent in 1983. It is a prospect causing interest among international companies looking to get into one of the biggest potential markets in the Middle East. Outside assistance will also be needed to step up production of building materials and construction equipment.

## EGYPT

A first-time visitor to Cairo could well come away with the impression that it is a vast hive of building activity. Cranes and unfinished buildings seem to be everywhere on the road from the airport area of Heliopolis to the city center. But appearance belies reality in Cairo, as elsewhere in Egypt.

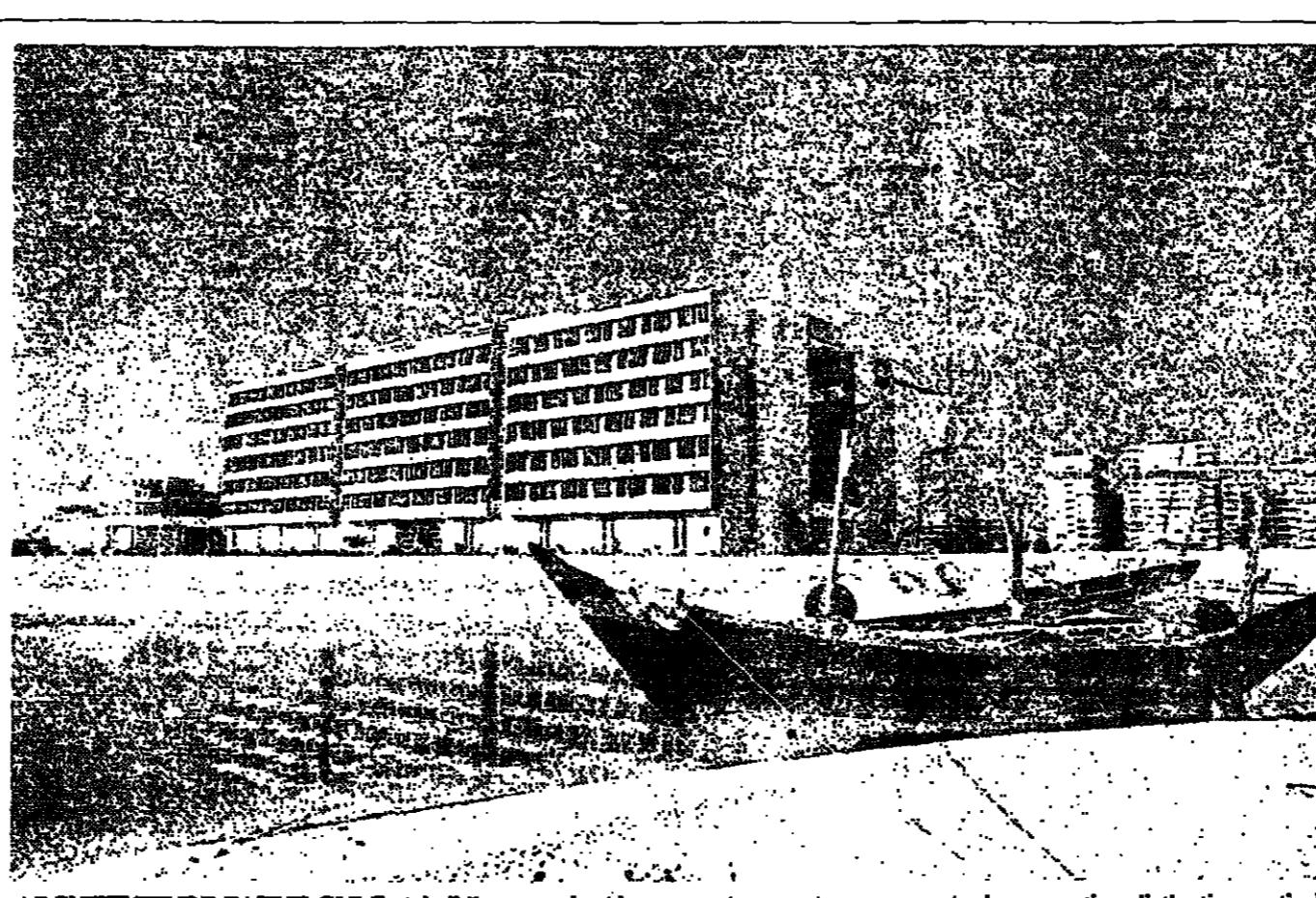
The ordinary Egyptian home is usually extremely overcrowded and often lacking basic amenities. As the population, now at 45 million, climbs, problems are growing and criticism is becoming sharper over the vast resources spent on building luxury apartments and hotels while so little has been invested in housing that the majority of people can afford to rent or buy. The foreign expertise that might stimulate construction of economic housing has so far not been acquired.

But greater emphasis on social infrastructure can be expected in the future. Luxury hotels, like the Semiramis International and Marriott Omar Khayyam, are expected to complete Cairo's luxury hotel development. How far foreign enterprise will become involved in subsequent developments in the lower end of the tourist market and urban programs depends on government incentives. Before foreign investment was encouraged by the open-door policy that was introduced in 1974, the local construction industry, like other sectors, had stagnated behind the protection of subsidies and barriers against outside competition. The situation has been slow to change.

Local business is dominated by three companies, Arab Contractors, the leader, Hadiyan Alam and Misr Concrete Development Company. Links with foreign companies can yield spectacular results. Arab Contractors, who undertook civil work for the Aswan Dam, also completed the Ahmad Hamdi road tunnel under the Suez Canal, working in tandem with Britain's Tarmac.

Encouragement of foreign links is a continuing aspect of policy under President Hosni Mubarak. While the potential of the Egyptian market is

(Continued on Page 115)



ARCHITECTURE IN THE GULF: A building near the Abu Dhabi waterfront has long external elevations clad with pre-cast concrete components, incorporating distinctive vertical sun-shading fins. Traditional Gulf dhow is moored in front.

## Development Threatens Historic Sites

Burgeoning Wealth Often Brings Loss of Interest in Vestiges of Poorer Era

By Geoffrey Weston

**A**RCHITECTURAL conservation in the Middle East suggests famous archeological sites like the Abu Simbel temples in Egypt, the glories of Isfahan or restoration of old Baghdad. Ironically, those countries best able to pay the high cost of restoring their architectural heritage and finding imaginative new uses for it have, with certain exceptions, less to preserve. Moreover, until very recently they have been largely indifferent to a visual past that has almost vanished in the last quarter of a century.

Oil wealth was seen as a means of eradicating all trace of hard, poverty-stricken times. Iran and Iraq apart, the rich countries of the Middle East had little tradition of visual art, not helped by Bedouin scores for material things. Even a Saudi professor of ancient history said not long ago that he was happy to see old buildings destroyed because he felt that if they were of any importance they would have been fully documented by now. In Riyadh, the city fathers were reported to have considered demolishing the historic mud-walled Musmak Fort, the scene of Ibn Saud's first battle to unite Saudi Arabia, and replacing it with a concrete replica, because it would be more durable. Fortunately, it seems, they found the idea impractical.

Oman set up a Ministry of National Heritage and Culture in 1976, charged, among other things, with care of the country's rich heritage of old forts. Bidbid Fort is one of the most recent to receive the ministry's attention. After 14 months of extensive repairs it stands as it did in its heyday, with 42 steps leading to its highest watchtower. More painstaking work is being done at Jabrin, a massive 17th-century palace near Bahla with two courtyards surrounded by ornate arches and rooms with ceilings delicately carved and painted in pure Omani style.

To a casual observer, Abu Dhabi might never have existed before the discovery of oil, so totally has it been renewed, but in Dubai efforts have been made to keep the port's famous wind towers, now dwarfed by a forest of skyscrapers. Dubai's great trading reputation brought many Persian skills in building and design. Persians settled on the south side of Dubai Creek in an area that came to be known as Bastakiya, where their

homes incorporated the use of a *badgir*, or wind tower, the forerunner of air conditioning.

Most of Dubai's wind towers are nearly 15 meters high where wind velocity is nearly double that at ground level. Each has four conical faces, which act as funnels to trap the slightest breeze and divert it down into the home. Most of these dwellings are considered too large and inflexible for modern use, because a family would live on

the first floor in summer, to make the most of the cooling breezes, and the ground floor in winter.

The current revival of interest in Islamic architecture has led to new buildings being built in Sharjah and Abu Dhabi incorporating wind towers and, after research by the aerospace department of Britain's Bristol University, Sharjah's pictureque new suds was adorned with wind towers that successfully

(Continued on Page 105)

## After the Bonanza: A Steady Market For West's Builders

By Anthony Davis

**A**LTHOUGH the great construction bonanza of the 1970s is definitely over, the Arab world continues to provide the world's international construction community with its most important market. West Germany, for example, relies on it to the extent that the region takes as much as 80 percent of the country's total exports of construction equipment.

Of the individual markets within the region, Saudi Arabia heads the league, having regained its dominance over Iraq, which briefly held top position in the first half of this year. The main factors shaping a significant year for the kingdom have been maintenance of national security in the face of Islamic fundamentalism and uncomfortable close hostilities involving Iran, Iraq, Syria and Lebanon; smooth assumption of power by King Fahd; and announcement in April of a surprisingly strong annual budget which, in defiance of the prospect of prolonged disruption in oil revenues, maintains development spending at the prevailing high level to ensure implementation of the ambitious five-year plan.

Reflecting Saudi Arabia's political need to develop its own human and economic resources in order to free itself from dependence on foreign products and services, the beneficiaries of the largest increases in this year's budget are industry, electricity, agriculture, education and manpower training, health care, defense, public housing, and social, municipal and rural development. Downgraded in budgetary priority are infrastructure, transport, communications and public administration, which have been brought to sufficient maturity, according to government explanation, to allow concentration on development of the productive sectors.

A projection of this transitional trend on to the wider screen of the five-year plan confirms that 1982-1983 will be seen not only as an important milestone along Saudi Arabia's astonishingly high-speed race-track to modernity but also one that contributed most directly to the kingdom's basic goals.

Among the most important of these goals are:

- To operate hydrocarbon-based processing industries in order to maximize the value-added potential of crude oil production;
- To create diversified capital-intensive economies around manufacturing, mining and agriculture;
- To prevent national economic erosion by maintaining the value of fixed capital through the development of technical maintenance systems and the replacement of foreign manpower with Saudi nationals;
- To carry the development initiative into the rural areas and thus create new economic and social opportunities in all regions.

To these ends, the third five-year plan, 1980-1985, will draw a government expenditure of \$225 billion. It is important to note that this does not include defense spending, nor the kingdom's private sector expenditure, which is now growing at a faster rate than state spending. Out of Saudi Arabia's total spending during the five-year period, including state, defense and private allocations, the construction industry is likely to benefit by around \$150 billion.

Saudi Arabia's industrialization hinges on the use of the country's hydrocarbons for refining and "downstream" manufacturing. The twin poles of this enormous undertaking are the petrochemicals conurbations

(Continued on Page 125)

## If it's steel, it must be Kirby.

Kirby Building Systems: The name has quickly become synonymous with quality steel buildings throughout the Middle East. Could that be a coincidence?

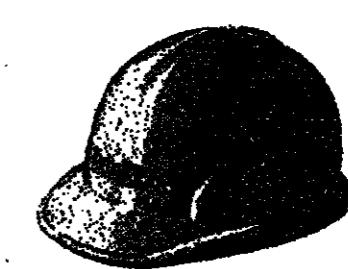
Not really, because it was no coincidence that Kirby started with the right product and backed it with the right organization, setting up offices in every major city in the Middle East.

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with any size structure ... from 7 to 7000 tons of steel.

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## Turkey Making Inroads Into Market

By Metin Munir

**T**URKISH contractors have made strong inroads into the highly competitive Middle East and North African construction markets and are increasing their activities there.

Their overseas order book grew from \$1.6 billion in 1978 to \$4.8 billion at the beginning of 1981. By May 1982, the volume almost tripled to approach \$12 billion: \$8.1 billion in Libya, \$1.5 billion in Saudi Arabia, \$1 billion in Iraq, and \$1 billion in other countries, including Kuwait, Jordan, Abu Dhabi, Senegal and Egypt. Nurettin Kocak, one of Turkey's leading contractors and chairman of the Association of Construction Contractors of Turkey, said that unless OPEC countries face unforeseen financial setbacks, volume could reach \$16 billion by the first quarter of 1983.

Turkish contractors started looking to overseas markets for work in 1977 when order books started dwindling at home because of recession. Ayhan Sahenk, a leading contractor, whose company, Dogus, has \$300 million worth of contracts in Libya and specializes in the construction of roads, dams and tunnels, tells a common tale: "We started looking for contracts abroad in 1977 and 1978. The reason was that there was very little available in Turkey in the way of heavy construction, in which my company specialized."

Gama, which has a \$25-million order book in Jordan and Saudi Arabia, started looking for overseas contracts in 1980. Cesalim Egel, a top Gama executive, said, "Our volume of work started contracting at home so we started looking abroad."

Mr. Kocak's Kututus was among the first to win an overseas contract. He said: "My company had completed 40 projects. This gave us a lot of experience and technical strength. We were getting too big for Turkey. I started following tenders in the Middle East and North Africa in 1975 because the domestic market was contracting and the country was starving

for hard currency. That year I won my first contract in Iraq." In May 1982, Kututus's contract volume had reached \$333 million in Libya, Iraq and Saudi Arabia.

After Turkish generals seized power toward the end of 1980, incentives were introduced to boost exports, and hard currency revenues and contractors benefited. Turkish contractors' overseas earnings were exempted from the 40-percent corporate tax and bonds from the 25-percent expenditure tax and stamp duties. But the government gave the contractors their biggest push by using Turkey's considerable influence in the Middle East and North Africa, in particular over Libya, Iraq and Saudi Arabia.

The main strength of Turkish contractors lies in the availability of trained and experienced engineers and technicians and the abundant supply of unskilled labor. All three categories are cheap in comparison with their Western counterparts. A Turkish worker costs one-tenth of a German worker and a Turkish engineer, a quarter.

Like the Koreans, Turks employ only their nationals. This eliminates many of the problems that could come about in a multinational environment and is conducive to productivity. It enables contractors to transfer machinery and manpower virtually intact upon the completion of work. The conditions and business environment in the Middle East are very similar to Turkey, where more than 95 percent of the 45 million population is Muslim.

Mr. Kocak said, "Viewed from technical capacity and qualified manpower, there is no difference between us and our colleagues in Europe and the U.S., except that our costs are much lower. Turkish labor is cheap. We are accustomed to the living conditions of the Middle East and North Africa and Turkey is close to these places."

Mr. Sahenk agreed: "Turkish contractors are a product of Turkey. Such things as late payment, bureaucracy, poor communications, and difficulties in obtaining equipment and

(Continued on Page 165)

## CONSTRUCTION IN THE ARAB WORLD

### U.S. Corps of Engineers: A Unique Role in Saudi Arabia

**T**HE U.S. Army Corps of Engineers has played a unique role for Saudi Arabia. Since the early 1950s it has acted as an agency of the Saudi Arabian government responsible for the management of a vast multi-billion-dollar construction program. The corps is also engaged on considerable programs in Jordan, Oman and Egypt.

Within the next three years in Saudi Arabia alone the corps expects to award more than \$6 billion worth of construction and construction-related contracts. On a smaller scale, it will have a hand in awards of contracts worth between \$200 million and \$300 million in Oman — in this case for facilities to serve U.S. forces in time of need; \$57 million for construction of facilities for Jordanian armed services, and as much as \$500 mil-

lion for work — also to back possible U.S. forces — in Egypt.

If Saudi-funded work is not further extended, however, the end of this decade will also mark the end of a remarkable 40-year career in Saudi Arabia for the corps. Its role began there in 1951 with the design and construction of an award-winning international airport — at Dhahran — and will have included completion of naval, air and ground military bases, complete cities, and training facilities and other support projects.

Over the same period the corps has trained several generations of local technicians and managers in many engineering techniques, including investigation, planning, design and construction and in management skills such as handling purchase, storage and use of

enormous quantities of materials and supplies, contract administration, maintenance and operation techniques.

Surprisingly, the corps has seldom awarded construction contracts to American companies. In fact, after the mid-1950s when American contractors secured something like 50 percent of all construction contracts awarded, the proportion gradually declined to virtually nothing by 1981 when contractors from Asia and some from Europe took over.

While the Saudi government has preferred U.S. designers and engineers for planning and project management, it has followed the U.S. Army Corps' traditional practice of awarding contracts to the lowest bidder. And as U.S. contractors — hampered by higher

costs, numerous restrictions imposed by their own government and difficulties of financing — have dropped out, others have moved in, some capitalizing on liaison availability, aid from their own governments, far fewer scruples about boycotts and undoubtedly capability.

In Jordan, the corps is undertaking contracts estimated to cost some \$57 million (of which \$40 million will go toward construction of an armor rebuilding factory). In Oman there are U.S. corporations' projects at four locations. The major one is at Muscat Island, off the west coast; others are at Thumrait in the south, Seeb, near Muscat, and Khasab on the Strait of Hormuz.

Facilities at the locations —

some of them now being designed — will cost between \$200 million and \$300 million. At Masirah Island, barracks and mess halls, fuel and ammunition storage, a supplemental power/generator, desalting equipment and runway improvements to the existing air base are to be built.

At Seeb, work is under way to provide petroleum and ammunition storage, warehouse facilities and parking aprons and maintenance facilities — all scheduled for completion in 1984.

At Thumrait, with completion also set for 1984, the work involves runway improvements, petroleum and ammunition storage, billeting and maintenance facilities.

— ANTHONY DAVIS

### Aga Khan Prize: A Bid for Quality, Sense of Islam

**T**O MANY PEOPLE sensitive to architectural change the oil boom of the 1970s brought to the Middle East a rash of ill-conceived buildings, mostly based on foreign ideas unrelated to local conditions and culture. In an attempt to counteract characteristics transfers from the West and false imitations of an unstudied Islamic past, the Aga Khan announced in 1976 his intention to offer an award to encourage architecture in the spirit of Islam.

He set up an international steering committee under his own chairmanship, and seminars have been held in different parts of the Islamic world, normally every six months, to explore local architectural conditions and extend the awareness of local architects and their patrons. The opening seminar was held in Paris in 1977 and one was held in Istanbul, Jakarta, Fez, Amman, Lahore, Beijing, Geneva and Dakar. Each examined a different theme, such as conservation, housing, symbolism in architecture and the Sufi city.

The initial intention was to make up to five awards worth \$100,000 each, but experience showed the judges that no single project was worth such a high sum, and the \$300,000 allocated to the first prize-giving in 1980 was divided unequally between 15 winners, with three receiving more than the others.

Building activities were surveyed in all parts of the Islamic world and data collected on the architectural profession and education, the construction industries' self-help projects and conservation

programs. By no means the least important aspect of the operation was the body of research material provided by the losers as well as the winners.

Winners in 1980 included the National Museum in Doha, Qatar, "for restoring and creating a national museum out of a group of buildings intimately linked with Qatar's history and traditions, and for being first in the field in that particular area of the Moslem world," and a house in Agamy, Egypt, for "an effort to combine modern technology and functional forms in the context of Islamic culture."

Work is already advanced on the choice of candidates, about 250, for the second Aga Khan Award for Architecture, to be announced later next year. The methods of reaching final decisions and of establishing the appropriate criteria are still very much in their formative stages. As the jury, which must be at least 50 percent Moslem, put their task in 1980, the winners "represented not the ultimate in architectural excellence but steps in a process of discovery, still an incomplete voyage toward many promising frontiers."

It is wrong, they felt, to talk about Islamic architecture, but rather to consider architecture for Moslems. Its future depends on meeting certain urgent needs, such as low-cost housing, and to keep social and economic needs, as well as design quality, constantly in focus. What at first appeared a dilemma proved to be an illusion. "What is really needed," they concluded, "is a redefinition of architectural excellence in a socio-economic context."

— GEOFFREY WESTON

### Yanbu and Jubail: Saudi Arabians Plan Twin Cities as Industrial Base

By Michael Frenchman

**S**PARE HEADING what amounts to the largest construction undertaking in the Arab world — if not in the world — is the Saudi Arabian project for the future cities of Yanbu and Jubail.

Hailed by planners as "development nuclei," the twin cities are seen as a means to create industrial expansion leading to a healthy added value export business based on the local natural resources — oil and gas.

During the current five-year plan (1980-85) Saudi Arabia is slated to spend around \$150 billion on construction projects.

Six years ago the Bechtel group, of San Francisco, and the Parsons Corporation, were awarded a 20-year contract by the Saudi to advise and manage the Yanbu and Jubail industrial complexes, which are on the Red Sea and Arabian Gulf respectively.

Jubail, once a small fishing village inhabited by a few dozen families, is a mass of gleaming storage tanks and pipes, with what will become residential accommodation for 370,000 workers and their families by the end of the century. Utility-works landscaping, two 4,000-worker construction camps, a 1,000-unit family housing camp, a 200-bed hospital, six-lane highways, a seven-mile-long jetty, and the first 1,700 permanent dwelling units are already under construction.

Already there are about 46,000 workers living in Jubail who are involved in the construction and engineering works out of a total of 257,000 in the construction industry as a whole in the country. Five years ago, according to figures just released by the Ministry of Finance and Economy, the total number of construction workers was fewer than 80,000 as construction of the primary industry plants gets into full swing and the second phase starts.

Total financial commitment by the Royal Commission for Jubail and Yanbu in the current 1982-83 budget year is said to be \$875 million, which is a little less than had been anticipated for the continued rate of expansion. Bechtel's subsidiary, Saudi Arabian Bechtel Co., which has the Olayan group as its local partner, currently has some \$5.8 billion in hand divided up among 300 contracts, the majority of which are held by local companies. The larger contracts have been deliberately broken down into smaller ones in order to encourage greater participation by local companies in accordance with the government's wishes.

Total costs of the complete complex are difficult to arrive at but according to reported statements from Bechtel, the principal 16 heavy industrial plants alone will cost at least \$15 billion to which must be added all infrastructure expenses plus financing of the gas-gathering and power generation. Some economists believe that if inflation is also taken into account the total costs may exceed five times that of the main processing plants.

All the plants are based on hydrocarbons, with the exception of an 800,000-ton-a-year steel plant that will be operated by the Saudi Iron and Steel Company. Eight of

the primary plants, including the steelworks, in the first phase are well advanced and the remainder will be under construction next year. Another dozen or so support industry plants allied to the construction works are also in operation.

The two hydrocarbon-based processing plants nearing completion are the 500,000-ton-a-year al-Jubail fertilizer company and the Saudi Methanol Company, which will have a capacity of 650,000 tons of chemical grafted methanol. Both are due to start up next year.

The other plants that will be producing urea, polyethylene and ethylene products are scheduled for a refinery completed in the same year by which time the 932-square-kilometer urban-industrial complex will be fully operational. And, if the schedules are kept, several hundred secondary and tertiary industries will also have been set in motion creating the world's largest industrial park and the Arabian peninsula's most modern Gulf respectively.

Yanbu, which is on a smaller scale on the other side of the peninsula, is the second major industrial city that will have a population of 150,000 by the end of the century. There has been less emphasis in the planning on the urban elements and a concentration of effort on developing refinery capacity. It is hoped that this might in the longer term attract a spate of secondary downstream and related manufacturing industries.

A service port has already been completed and first shipments of LPG have already begun. By 1988, the industrial port will be able to export nearly 90 million tons of crude oil, 12 million tons of refined products, 10 million tons of NGL and 1.5 million tons of general cargo, making it one of Saudi Arabia's principal oil exporting terminals.

The port forms a vital terminus for oil production in the Eastern Province, which is being supplied by the 1,200-kilometer Petroleum Pipeline.

The main port and terminal works have been carried out by the Dong Ah Construction Industrial Company from South Korea, which has more than \$2 billion of contracts in Saudi Arabia.

The Koreans are among the most active non-European or American companies in Saudi Arabia and hold some \$24 billion worth of construction business.

**JEDDAH LEISURE CENTER** — Architects Slater Hodnett and Partners designed this multipurpose sports center.

### Conserving the Past

(Continued from Page 9S)

ventilate the pedestrian areas instead.

Easily the most imaginative piece of architectural conservation in the Arabian peninsula is the National Museum in Doha, which was opened in 1975 and could be the forerunner of other similar enterprises. From a ruined group of old Qatari houses, including the old emir's palace, in which the present emir grew up, the British firm, Michael Rice and Company, planned and designed a sensitive complex, which brilliantly captures Qatar's sense of national identity.

Old photographs, the memories of older members of the emir's family and retainers were able to fill in gaps where physical evidence was lacking. The houses were returned to their original state and a delightful network of gardens and paved paths were made around the but within the containing walls.

A modern building, which defers to the old, and picks up some of their elements, contains more displays, including the country's fishing and pearling past. Land reclamations had pushed the sea away from the complex, and so an artificial lagoon was created for displaying traditional sailing vessels. No more complete record of life in eastern Arabia exists elsewhere.

Saudi Arabia's efforts to mobilize its vast resources have been ponderous. Apart from isolated mud-walled buildings like the Masmak Fort and the Murabba Palace, the home of the country's founder Ibn Saud, which is to form the hub of a national museum also conceived by Michael Rice, Riyadh has nothing to preserve. Ten kilometers (6.2 miles) to the north, however, is the magnificent abandoned city of Darayya, sacked by the Ottomans in 1819 and earmarked for eventual restoration.

The Directorate-General of Antiquities and Museums in Riyadh is in charge of all such projects and spent five years charting the country's vastly scattered heritage, but until recently all conservation efforts have concentrated on individual buildings chosen in isolation for their architectural or historical importance. The shift in interest toward groups of buildings, significant not because of their individual quality but because they present a picture of the past as a group, was an idea that has blossomed in the West in the last two decades but has gained little ground in the Middle East.

Jeddah, however, is an exception thanks to the single-minded determination of its mayor, Sheikh Muhammad Said Farsa, an architect.

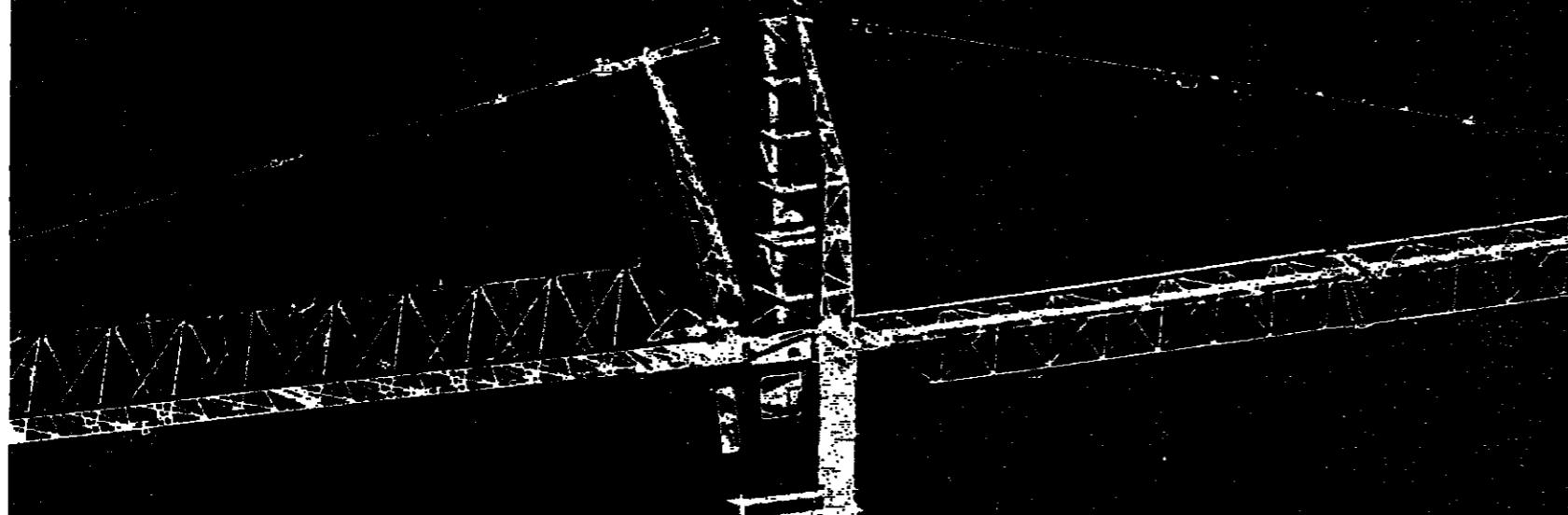
Sheikh Farsa recognized the importance of the surviving old core of the city in what is known as the Al-Balad district and placed an embargo on demolition in the final 1.5 square kilometers. More than 4,000 people live and work there, but it is dilapidated and unattractive.

The district has a unique character arising from the random network of narrow streets and the variety of historical buildings. The Turkish and Egyptian styles date back to the 18th century and incorporate magnificent *ravashin*, carved and fretted wooden windows.

The city's architectural consultants, Robert Matthew, Johnson Marshall and Partners, have estimated the cost of restoration at 1.16 billion riyals, but the mayor's problem is not so much raising finance as convincing the handful of rich families who own the old buildings that restoration is worthwhile.

A cultural argument is surprisingly backed by a survey of the inhabitants, more than half of whom said they wanted to stay put and have their homes restored instead of moving to modern dwellings. Jeddah appears to be on the threshold of the biggest conservation step in the region.

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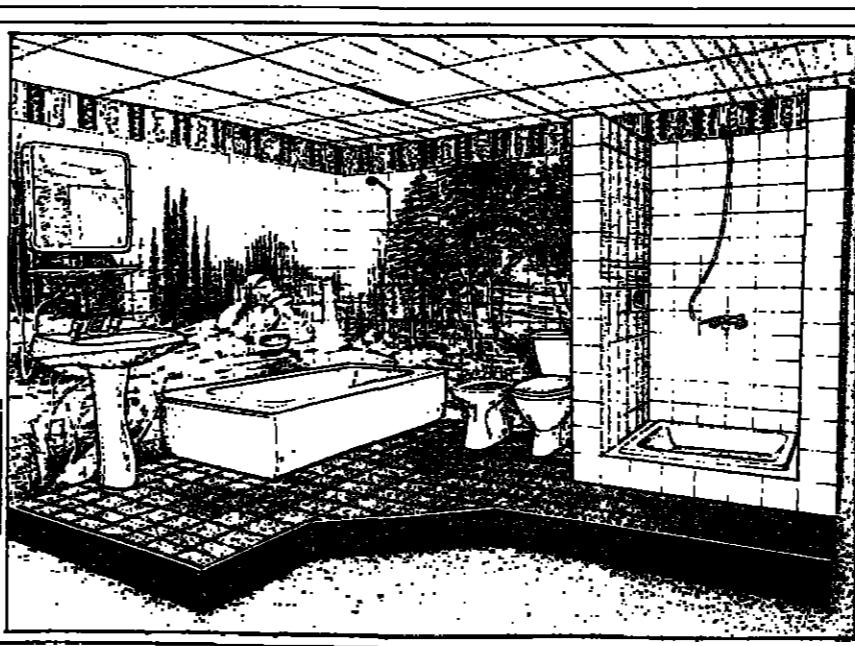
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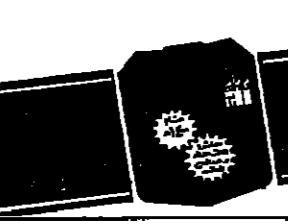


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## CONSTRUCTION IN THE ARAB WORLD



Construction on the Fahud oil pipeline in Oman.



Crowd of spectators perched on top of a building under construction watches a National Day parade in Abu Dhabi.

## Fall in Oil Income, Slow Growth Sharpen Competitive Edge

(Continued from Page 9S)

enormous, availability of money is the deciding factor. Complete renewal of Cairo's sewerage system, further improvements to the Suez Canal ports developments and homes are likely to be the priorities. The defense market could also prove substantial for construction firms if U.S. funding of a major new base at Ras Banas occurs.

One thorny technical problem causing worry among foreign contractors is the question of decimal liability. This places a responsibility on developers and contractors and anybody else linked with a building project for any structural defects for the first 10 years of its existence. Egypt, which inherited the legislation from French administrators, is the only Arab state to have the law.

## IRAQ

A huge conference center built for a nonaligned countries' summit conference this fall has stayed empty in Baghdad. The complex, equipped with lavish facilities, is a symbol of the international aspirations of President Saddam Hussein, as well as the serious concern that foreigners feel about the war with Iran.

Contractors are worried about the conflict. After Saudi Arabia, Iraq is the richest market in the Middle East. The 1981-1985 five-year plan points to spending of \$130 billion. However, the budget has had to be revised in favor of the war effort.

In economic terms, the war has so far proved considerably more manageable than many thought. This has been due to a large extent to assistance from Iraq's Gulf neighbors, who are thought to have donated between \$16 billion and \$30 billion to help finance the war.

While at all times giving priority to military needs, Iraq has continued to spend massive sums on developing road, rail and air transport facilities, irrigation, drainage schemes and housing. When peace returns, substantial reconstruction will also be needed, particularly refineries.

Among the most spectacular infrastructural developments are the Baghdad metro and Mosul Dam. Tendering for the metro's 32-kilometer (nearly 20-mile) first stage is due to be completed by the end of 1983. A second phase will involve another 11 kilometers.

Few sectors are left untouched by the ambitions of the government. The scale of work and prospects of further huge contracts tend to offset the worries of those who question the heavy commitment of South Korean, Japanese and West German companies to the Iraqi market.

Concern about the military conflict and payments is compounded by shortages of raw materials and manpower. Iraq did not have a sufficient pool of labor before the war for its project development. The conscription of increasing numbers of men to the army has exacerbated the problem. However, as long as Saudi Arabia and Kuwait keep the cash tap on, competition will stay brisk in what is one of the main areas of business.

## KUWAIT

Concern about the outcome of the Iran-Iraq war has failed to destroy confidence in Kuwait's economy, despite the country's closeness to the war zone. In the construction sector, road projects, petrochemical developments and urban improvement schemes continue to feature prominently in budget plans.

Local contractors have steadily asserted themselves in the last few years. Foreign companies, facing local competition in many instances, regard work in Kuwait as a loss leader to gain other work in Iraq rather than as a profitable exercise. An example is the spectacular Bubiyan

road bridge now in the final stages of construction by France's Bouygues. The 2.4-kilometer bridge linking the mainland with Bubiyan Island has been described by the company as a showcase for its novel construction methods.

Foreign contractors still have an edge in technology-related work. The Japanese, as elsewhere, have been highly successful, and Italian companies are building a desalination plant and a fourth ammonia line for Petrochemical Industries Company. However, even for the oil sector's engineering contracts, Kuwaiti interests can now compete through acquisition of the United States' Santa Fe Corporation and its process engineering subsidiaries.

## QATAR

Qatar's construction market has been stimulated this year by government approval for a number of infrastructure developments in and around Doha, the capital. However, contractors are tempering their optimism with the realization that an increase in Gulf tension and further falls in oil revenue could slow things down.

Potentially the largest project is the West Bay development in Doha, which is intended to provide residential accommodation, new embassies and government buildings. The development is funded by the technical office of the emir, Sheikh Khalifa bin Hamad al-Thani. The technical office also funded building of the Sheraton Hotel in Doha and Qatar University, which is about to enter a second phase of development. Doha's population is expected to rise considerably in the next few years to 400,000 people, creating a demand for about 34,000 extra houses and more roads.

The trend, as in other parts of the Gulf, is to increase local participation, though domestic companies seem content to concentrate on smaller scale work. In a limited market, where only 70,000 of the total estimated population of 240,000 are Qataris, there is little margin for error. By the same measure, the international market for hydrocarbons is making investment decisions on projects such as the North Field gas development difficult. Apart from cash constraints, the main problem for foreign companies is acquisition of labor. With continuing Gulf tensions, the present tight entry controls seem unlikely to be relaxed, whether or not an upturn in the economy is sustained.

## UNITED ARAB EMIRATES

A marked slowdown in the United Arab Emirates' economy because of lower oil revenue and uncertainties created by the Iran-Iraq war has inevitably affected construction projects. Prestige developments like the 270-meter Abu Dhabi tourist tower and new airport at Al Ain have been delayed. In spite of this, competition is still intense for work aimed at broadening what is a well-established infrastructure.

Officials in the wealthiest emirate, Abu Dhabi, are quoted as saying that 1983's investment program will not include new projects but concentrate on financing those already being carried out. Federal priorities remain social projects like schools and hospitals and development of electricity and water resources. There is talk in Dubai of a new airport to serve the 66-acre Jebel Ali industrial port, which will also receive a boost if negotiations are successful in obtaining an operator for the port's dry dock, which has been unused since it was built.

Meanwhile the first projects at Abu Dhabi's industrial zone at Ruwais, 225 kilometers west of Abu Dhabi city, have come on stream, including a 200-million-barrel-a-day oil and gas gathering plant. A master plan sets aside areas for other petrochemical developments, iron and steel and light industry. Ruwais is seen essentially as a long-term development to establish a community

and industrial base offering thousands of employment opportunities. While a slowdown has occurred in some of Abu Dhabi's publicly funded schemes, privately funded building work has continued briskly. A potential \$2 billion development involves a complete residential and commercial district for central Abu Dhabi. Included in the plans are 12 apartment blocks, offices, shops, recreational facilities and car parks.

Dubai also plans a master plan approach for urban projects. Many consider it long overdue. A major problem throughout the 11-year-old emirates federation has been inadequate liaison between planning organizations. The next decade will tell whether the emirates will voluntarily adopt new approaches or be forced by lower income to cut out wasteful duplication.

## SAUDI ARABIA

Saudi Arabia's massive investment in infrastructure and industrialization puts the kingdom in a category of its own in the Middle East. The biggest single spender on construction in Saudi Arabia is the Ministry of Defense and Aviation, which will account for \$2 billion of this year's national budget, or about 30 percent of the total. Of this amount, which is comparable to Britain's defense budget, about 65 percent will go on projects involving substantial building work.

Much of the defense-oriented work involving armed forces bases and housing is being carried out by the U.S. Army Corps of Engineers. Since it began its first construction project in the kingdom in 1951, building Dhahran airport, the corps has been responsible for \$20 billion of work in Saudi Arabia, mostly for the Defense Ministry.

One of the most expensive projects is King Khalid Military City, north of Riyadh, which will eventually accommodate 70,000 people. Another project, the \$1.4 billion King Abdul Aziz Military Academy, near Riyadh, is due for completion next year. Other building work worth \$4 billion is being carried out for the Saudi Arabian Navy.

As in other sectors of the Saudi construction scene, Far Eastern companies, particularly South Korean, such as Hyundai and Dong Ah, are prominent. The South Koreans are estimated to have about 30 percent of all Saudi Arabian construction work, largely because of their ability to provide low-cost labor, quick reaction to tenders and a reputation for working to schedule. But as contractual work becomes more sophisticated and emphasizes technology more than muscle power, the present Far Eastern dominance may slip.

## OMAN

Oman does not have the oil wealth of its Gulf neighbors. In spite of this, a well-managed economy has allowed the sultanate to embark on a steady expansion of infrastructure, including several major projects. The biggest achievement in 1982 has been the opening of Oman's first refinery. Other large projects under development in the present five-year plan are Qaboos University, the Rusail industrial zone, and urban and major highway programs.

Defense claims the lion's share of the budget, and a large-scale improvement of military facilities at Seeb airport, Thamarit airbase and on Masirah Island is planned to accommodate units of the U.S. Rapid Deployment Force. However, local companies and joint ventures that have been hoping to gain up to 50 percent of the work being supervised by the U.S. Army Corps of Engineers may be disappointed if Congressional demands for a greater share of the work for U.S. companies is headed.

and social fabric is threatened. Particularly in the United Arab Emirates, the local press periodically warns of what it sees as the dangers of the large alien population.

The Sharjah-based Al-Khalieej newspaper wrote in October: "The increased number of Asians form a hidden reserve for the U.S. and Israel — they are those coherent and military-trained groups who live in camps and are brought into the country by foreign companies. A firm stand toward the increased manpower is of equal importance as liberating the occupied Arab lands."

A report published earlier this year by the Abu Dhabi Planning Department blamed illegal immigrants and unemployed expatriates for the UAE's rising crime rate and recommended that population quotas for each expatriate community be established to prevent a single community becoming dominant. In Qatar, where of a total population of 240,000

(Continued on Page 12S)

## Manpower Challenge to Contractors: Welding a Multinational Labor Force

By Susannah Tarbush

**I**N MIDDLE EAST construction projects, the way in which the work force is selected and managed is of particular importance. Because of the shortage of indigenous labor in the oil states, construction work depends heavily on third-country nationals, who may come from other Arab states or, increasingly, from non-Arab developing countries. Welding together a labor force that includes men of various nationalities poses a great challenge to site managers.

One has only to scan the pages of the Middle East business press to see how competitive supplying third-country national labor has become. Advertisements placed by companies from India, Pakistan, South Korea, the Philippines, Indonesia, Thailand and elsewhere promise to provide the contractor with manpower in just the amounts and categories he needs.

Workers' remittances have come to play a vital part in the economies of the labor-supplying countries, and governments are anxious to increase the presence in the Middle East of their nationals. Visits such as that made to Saudi Arabia earlier this year by President Ferdinand E. Marcos of the Philippines assume great importance in building relations with the Arab labor-importing states.

As a recent World Bank study highlighted, the most dramatic change in the pattern of international labor migration to the Arab world since 1975 has been the increasing role of Southeast Asian countries, particularly South Korea and the Philippines and to a lesser extent Indonesia and Thailand. These countries entered the Arab labor market through national contracting companies, which brought in the labor and established work camps at project sites. The companies provided most of the basic services for their labor force, including housing, health services and utilities.

The work camp approach to recruitment became "exceedingly attractive" to the host countries, the World Bank study noted. "It lowers recruitment costs, alleviates pressures on housing and other basic services normally provided by government and provides physical separation of the industrial area and the non-national labor from the local community."

The presence of Indian and Pakistani workers goes back much further than that of the Southeast Asians, and has, since 1973, been increasingly organized through private agencies. Indian construction companies, such as Engineering Projects India and the Indian Road Construction Corp., have won major contracts in the Middle East on which they used their national work force.

Although the rapid growth of the foreign labor force has been inevitable given the demands of construction in the oil states, it has become a matter of concern to indigenous populations, who feel that their identity

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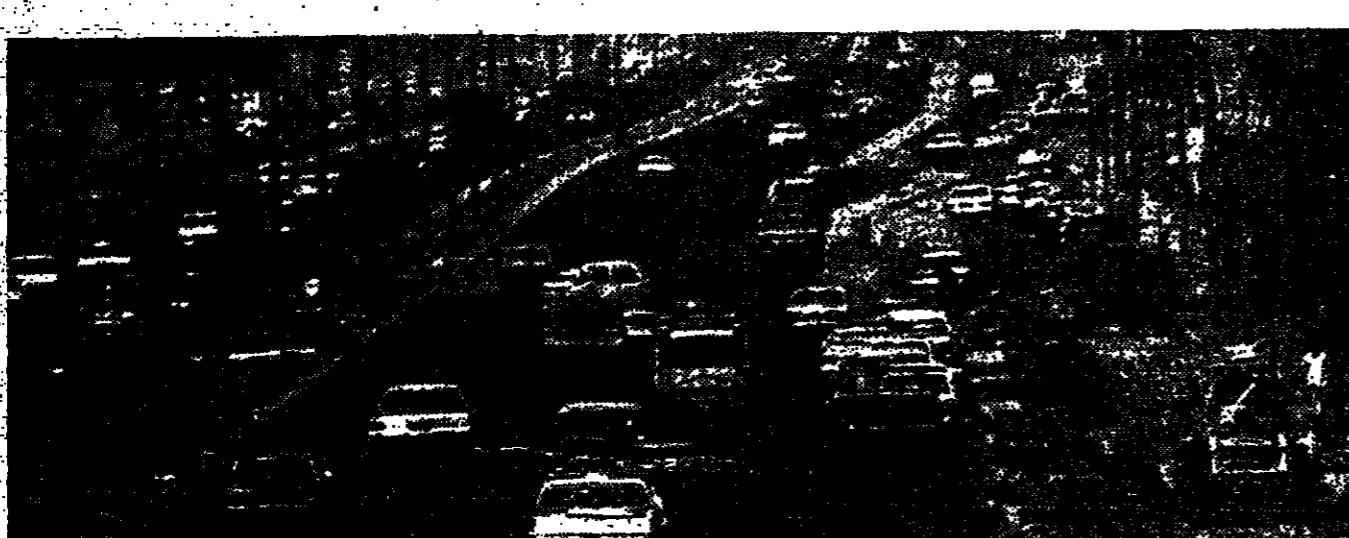
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## ARAMCO ASSISTS LOCAL CONSTRUCTION FIRMS

Over the years Aramco has assisted and encouraged the development and expansion of the Saudi construction industry by utilizing Saudi Arab Construction firms for its projects, by providing firms with marketing and planning and giving technical assistance upon request, and by introducing the latest construction techniques.

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Aramco's Local Industrial Development Department has for the past seven years monitored the Saudi construction industry. During that time LIDD has surveyed over 800 construction companies throughout Saudi Arabia conducting over 5,300 separate indepth interviews. These interviews form the basis of a comprehensive data base of the Kingdom's construction industry. In addition, LIDD has developed economic indicators and time series concerning construction contract awards and construction expenditures, construction manpower, and imports. These analyses provide a framework for assessing current and projecting future conditions in the construction industry as well as a base from which to project conditions in the future.

Aramco uses this analytical information for its own planning activities and to assist local businessmen with planning. This information has been distributed to the public through a series of publications:

- A Directory of Construction Contractors in the Kingdom of Saudi Arabia (Editions published in 1980 and 1981)
- The Central Region Construction Industry (1978)
- The Western Region Construction Industry (1978)
- Indexes of Construction Activity in Saudi Arabia (published in 1982).
- The Saudi Arabian Market for Bulk Construction Materials (1979)
- The Eastern Region Construction Industry (1978)
- Trends of the Construction Industry in Saudi Arabia (Editions published in 1981 and 1982)

The following are key Aramco contact addresses for firms seeking more information:



Manager  
Local Industrial Development Department  
Room 1366, Aramco  
Dhahran, Saudi Arabia.

Manager  
Contracting Department  
Room 1200, Aramco  
Dhahran, Saudi Arabia.

PRS-7-82

## CONSTRUCTION IN THE ARAB WORLD

### Complexity of Middle East Project Financing Increases as Deals Become More International

By Caroline Montagu

**PROJECT FINANCING** in the Middle East has become an increasingly complex business. A banker in Saudi Arabia commented, "Imagine the complexity of pricing on a mixed Saudi, European and say, Korean joint venture. You have three legal systems, three nationalities, three corporate financial structures and three different managements."

The scale of projects, such as the huge Saudi petrochemical complexes, the multicountry sourcing for goods and services, the multicurrency financing needed, the time scales and now the international banking community's allergy to risk lending all combine to make raising funds and guaranteeing contracts hard going in the Middle East.

Sources of funds in the area vary from countries that can finance their own development to those needing credit or funds from outside. Projects in Saudi Arabia, Kuwait, Qatar, Libya and some of the rest of the Gulf are funded mainly from indigenous resources. For most others the supply of credit either from commercial banks by way of export credit agencies of the Organization for Economic Cooperation and Development or from regional or international organizations, is pivotal to project development. Regional investment institutions, such as the Riyadh-based Arab Investment Company (TAIC) or the Arab Petroleum Investments Corporation, owned by members of the Organization of Arab Petroleum Exporting Countries, are two such that lend and take equity in projects across the region.

The Arab aid funds, such as the Kuwait Fund for Arab Economic Development or the Arab Fund for Economic and Social Development, offer concessional funding. But one financing consultant said, "it's political lending." Companies themselves cannot raise funds from these agencies; the country in which the project is sited has to apply. The consultant continued, "You have to try to get your project as that country's top priority." Additionally, the agencies are reckoned to be slow decision-makers and often burdened with cumbersome bidding and award procedures similar to those of the World Bank.

The Kuwait Foreign Trading Contracting and Investment Company, often seen as a foreign investment and policy arm of the government, lends and takes equity in the Arab world. It has invested either itself or on the government's behalf in projects in Jordan, Sudan, Mauritania, United Arab Emirates, Oman, Syria and Egypt.

Companies relying more on credit than cash have looked to the Eurocredit markets and in-

ternational agencies. Algeria, now considered the most creditworthy country in North Africa, has funded its massive heavy industrial development by about \$15 billion borrowings on the markets as well as by oil and gas revenues. Egypt has been receiving U.S. aid for projects at \$1.1 billion a year and for military purposes at \$1.3 billion a year. But this will be under review next year. In the changed oil market, Libya, previously a cash market, is behind with its bills and Iraq, though bankrolled to some \$23 billion from Gulf Cooperation Council states, has just turned to the European banks for a \$500 million trade financing facility.

One vital area of project financing is the impact of the national export credit and insurance agencies. One contractor said, "At present, they are falling over themselves to do business." Though the various agencies — Coface, Hermes, Office du Developpement, ECGD and the rest — now talk to each other and have eased their rates rivalry through the OECD consensus, "the rates they give out officially can sometimes be improved on," said a consultant. "Companies can do worse than play them off."

Contractors seem to feel the U.S. Ex-Im bank is not as competitive as some European agencies. National companies eye multicountry conglomerates such as Foster Wheeler or Day & McKee, which for a big Middle East project can source from subsidiaries in various countries and benefit from different agencies' rates.

Companies characteristically use subsidized export credit to improve their bidding position. The role in France of the nationalized banks and aggressive government export policies have been seen as a force in gaining Middle Eastern contracts. An American banker said, "The banks are an arm of French government policy." Thomson-CSF's \$968-million contract negotiated in 1980 with Iraq to set up an electronics industry in competition with Britain's Plessey Company was cited as an example of French export expertise.

European engineering firms look with respect on the way Japan's Ministry of International Trade and Industry can pull together groups to bid on lump sum, fixed price engineering contracts in the Arab world and provide financing backup. A U.S. contractor commented, "Japan's vertical integration can't be paralleled elsewhere."

The development of the Gulf Cooperation Council and other policy groups, such as the Qatar-based Gulf Organization for Industrial Consulting, is stimulating a regional approach to industrial projects. The Gulf council's com-

mercial side has already caused the cutting of tariffs and customs dues between the six mem-

ber states. In the 18 months of its existence, the council has been remarkably effective and its first commercial moves foreshadow plans to ease the flow of capital and people within its member states and to integrate trade and industry.

Among other organizations that either channel funds or attempt to spread wealth in the Middle East a little more evenly is the Abu Dhabi-based Arab Monetary Fund, the Arab world's version of the International Monetary Fund, which, apart from providing balance of payments support, has some role in economic programs in the area. Further west, the Arab Common Market and the Arab Council for Economic Unity, both offshoots of the Arab League, are encouraging infrastructural projects and development of primary resources in cash-short states. Moroccan iron ore, Moroccan and Jordanian phosphates and Sudanese agriculture have already benefited from such regional or pan-Arab groupings.

Arab banks and investment institutions, either national or multilateral, are now forces to be reckoned with in project financing and guarantees in the Middle East. Though Arab banks such as Gulf International Bank or Arab Banking Corp., both of Bahrain, have become prominent in the Eurocredit markets, these same banks, and many others, are stimulating project development at home. One of Gulf International Bank's areas for development is its regional financial and commercial services. The Kuwait Foreign Trading Contracting and Investment Company is also looking to more home and Gulf commercial work.

Arab banks are arranging an ever increasing share of the contingent liability business for international contractors in the region and for the expanding local contractors. The sheer size of Saudi projects and consequent size of Saudi guarantees and bonding requirements has led to big bank business in these forms of syndicates and lines of credit.

The Saudi Arabian Monetary Agency, by imposing tight capital/loan ratios and deposit/loans guidelines, has inevitably helped develop the role of the Bahrain offshore banking units in risky guarantees, as the Saudi banks themselves cannot do it all. Other Bahraini guarantee business has recently been connected with Japanese contracts containing an export credit element, for which Japan's Ministry of International Trade and Industry requires guarantees. Arab Banking Corporation led a syndicated facility earlier this year to guarantee Syrian imports of Japanese cars and recently a \$157-million facility on behalf of the Bahrain-based Arab Iron and Steel Company.

### After the Bonanza: A Steady Market for West

(Continued from Page 9S)

of Jubail on the Gulf coast and Yanbu on the Red Sea. The controlling authority responsible for planning and implementing the basic infrastructure is the Royal Commission for Jubail and Yanbu, a government body that also is responsible for controlling the wider development of the surrounding cities.

The outline program for the current five-year plan also includes water supply projects to serve 720,000 additional households, more than 50 percent of them in the western region; 167 new reservoirs; 473,000 new main sewerage connections; a further 627,000 cubic meters (21,94 cubic feet) capacity of sewage treatment plant; 175 kilometers (108 miles) of isolated stormwater protection; and new drainage systems to serve 2.3 million inhabitants. Desalination capacity will have to be increased by the Saline Water Conversion Corporation to keep pace with demand. The plan requires the completion of 18 plants by 1985 and the start of five more. Japanese and South Korean firms are consistently competitive bidders for these projects.

Another objective of the five-year plan is to increase the installed electricity generation capacity by 7,568 megawatts, commission more than 8,000 kilometers of transmission lines, and connect 600,000 new consumers to the national grid.

In the housing and general construction field, although budget allocations for national infrastructure have now begun their inevitable descent, some sizable projects are incomplete and new infrastructure is needed to support specific developments outside the three main concentrations of Jeddah, Riyadh and the Damman, Dhahran, Al Khobar triangle.

At 730,000 units, the housing target is massive, and at the moment large contracts are being awarded almost every week. More than a third of the total will be built in small towns and rural areas. The government is encouraging the private sector to take larger slices of the program, and in future will tend to limit the public purse mainly to providing accommodation for low income families, the armed forces and government employees.

By 1985 the kingdom's main road network should have been swelled by 4,500 kilometers of new main highways; 6,400 kilometers of urban roads, including 1,422 kilometers of paved two-lane routes; and 17,445 kilometers of rural earth-surfaced trackways.

In the education and manpower program, human resources development is being given special attention in line with the directive in the five-year plan to concentrate on educating and training Saudi nationals to take over the management and technical work currently being done by expatriates. The current plan calls for 348 primary schools, 103 secondary schools, 270 intermediate colleges, 60 Koranic schools, 435 girls' schools and an ambitious university program. Due to be tendered next year, for example, is the proposed \$4 billion faculty of medicine and allied sciences forming phase two of King Abdul Aziz University, Jeddah. Construction management will be by Daniel International (Saudi Arabia), an affiliate of the U.S. Fluor Corporation.

Health and social care, recipient of the largest percentage increase in this year's budget, remains buoyant for construction contractors. A total of 36 new hospitals will be started in the period to 1985, along with 320 health centers, pharmacies, training centers and other specialized medical units.

The reputation that Iraq had won as the fastest growing market in the Middle East survived the first year of its protracted war with Iran. It gave several Western countries record export figures. Now the financial realities are being felt. British exports to that country in 1981, for example, were worth a record \$1.1 billion, but have since dropped significantly. The decline began in the second quarter of this year when a new Iraqi import policy, forced on the government by the financial strains of the war and by domestic inflation, took effect. The market is not expected to make a recovery until at least 1983 if the best conditions prevail. For West Germany, Iraq had become the top Middle East market. More than 120 companies keep offices in the country and such a commitment makes the present uncertainties all the more difficult to bear.

A mixture of caution and optimism is thrown up in almost every analysis of construction opportunities in the smaller Gulf states.

In Bahrain, for example, a multimillion dollar construction boom appears about to take off as banks, financial institutions and insurance

companies plow back profits into prestige headquarters and commercial buildings. At least 12 tower blocks, averaging 10 to 12 stories, are on the drawing board for the fashionable east end of the capital. They should be up for rental in 1975. But Bahrain's future after the hugely expensive, Saudi-Bahrain causeway project now under construction is still a matter for speculation.

In the United Arab Emirates, the federal budget for 1982 showed the effect of declining oil revenues. Total allocations were cut back from \$1.98 billion in 1981 to \$1.09 billion this year. Nevertheless, development expenditure for new projects remains high. At the end of June the Planning Ministry reported that a total of \$3.68 billion had been allocated for investment during the current year. And this embraces a wide variety of projects, from public works to housing and education.

Qatar, always a cautious spender, looks well placed for controlled growth over the next few years. While weak oil prices and demand may significantly reduce the country's current account surplus this year and beyond, it is unlikely to pose serious problems. Qatar has no formal medium-term development plan, and spending and the choice of priorities are supervised by the Ministry of Finance and Petroleum.

Qatar's industrial development is already ahead of that of other Gulf states, and while there are plans to extend and modernize existing heavy industry, the emphasis is being switched toward light and medium scale import substitution industries. Further development of Qatar's agricultural, service and repair activity is also being stressed as part of a continuing policy to broaden the country's economic base.

Key factors contributing to Qatar's industrial development have been the government's willingness to accept joint ventures, with minority foreign partners providing marketing and technical expertise; the encouragement, through investment incentives, of private sector involvement in light and medium scale industry; and the existence of the state industrial development center, which processes much of the detailed industrial planning.

In Oman, development of industry, of which Rusal is the most important example, is steady rather than sensational. In that sense it characterizes the vast changes made since Sultan Qaboos bin Said came to power 12 years ago and by careful planning and self-restraint, Oman has avoided most of the errors of haste that were notable among some other states of the Arabian peninsula.

In Kuwait, although many major projects have been completed, substantial development continues. As the economy expands there should continue to be a market for high technology. In addition, major opportunities have arisen from the constant stream of maintenance contracts on completed projects. And as Kuwait's population growth, currently 7 percent a year, continues to increase, the demand for housing and for urban infrastructure will become more acute. Kuwait has one of the highest ratios of cars to people in the world, and there is consequently a continuing road-building program. It is estimated that by the late 1980s more than 300 kilometers of expressway will have been completed at a cost of about \$2 billion.

While attractive opportunities exist in Egypt, the most interesting North African markets are Algeria and Libya. Destroying the myth, Algeria is a closed market, available only to the French, many European firms have in recent years won a sizable share of contracts there. For Italy and West Germany, for example, Algeria is the second or third highest Middle East customer after Saudi Arabia and Libya. It is also an expanding long-term market, set to offer opportunities to foreign companies for many years. With a population of 18 million, substantial oil and gas revenues, and an extensive land area, Algeria is investing heavily in housing, schools, hospitals, industry, railways and roads.

Libya, a difficult market, forecasts expenditure of \$62.5 billion during the current development plan, 1981-1985. Oil production was planned to fall by 15.3 percent by the end of the period, to be compensated by a planned annual expansion in the non-oil sector of 17 percent. But this plan has run into difficulties with the recent decline of oil exports and is unlikely that expenditure at the proposed level can now be made. Spending allocated to development projects for 1982 has already been cut by 5 percent, and according to latest economic reports, the cut is likely to affect existing projects. New projects will be more closely examined, leading to a slowdown in awarding contracts.

### Manpower Force: A Challenge to Contractors

(Continued from Page 11S)

only between 60,000 and 70,000 are Qataris, the cabinet has urged every private company to recruit at least half the work force from Arab countries.

Considerable problems have been caused, particularly for workers from the Indian subcontinent, by dishonest recruitment agencies. The Indian government is introducing legislation to try to end this exploitation by regulating the activities of the agencies. The new law also aims to exert greater control over the direct recruitment of workers by companies in the Middle East.

Despite the concern of the governments of the oil states about the size of the non-Arab population, observers believe that the trend to recruit from developing countries outside the Arab world will continue. The World Bank study predicted that the proportion of the oil states' migrant population that is Arab will fall from 71 percent to 56 percent between 1975 and 1985 while the share of the Asians will rise from 19 percent to 31 percent in the same period.

Decisions on the source of labor for a particular project are based on a number of factors, one of which is relative wage rates. These vary considerably according to the nationality of the worker. According to the Federal Agency of Karachi, in January this year the monthly wage of an unskilled worker ranged from \$250 for a Filipino to \$200 for an Indian and \$175 for a Sri Lankan. A skilled Filipino would command a wage of \$350, while a Bangladeshi would receive only \$200.

Another factor is the cost of transport from country of origin, which is

much higher for workers from the Philippines and Thailand than for Pakistani workers. Food costs can also vary widely. Most companies recognize the necessity of providing men with their own national cuisine and this can be expensive in the case of, for example, Thai workers whose food, including noodles and glutinous rice, is imported from Thailand.

The recruiting company must also consider the particular job food which men are needed. India, Pakistan and Thailand, for example, can supply highly skilled masons, carpenters and metal workers who are quick to adapt to new methods.

Another consideration is the ease with which the workers will adapt to their environment. Turks are being increasingly employed in Middle East construction by Turkish contractors and foreign companies. The Turks claim that, because of the similarity of cultural background and the fact that they are Moslems, they fit smoothly into an Arab environment. Pakistanis and Bangladeshis also have the advantage of being Moslems.

It seems likely that competition between developing countries to supply labor for Middle East construction projects will grow more intense. The South Koreans, famed for their military-style efficiency, are already feeling the pinch. There are an estimated 150,000 South Korean workers in Saudi Arabia, but South Korean construction companies are increasingly employing non-Koreans because of the high wages of Korean workers. At the same time, the Korea Overseas Development Corporation provides highly skilled Korean workers to non-Korean companies.

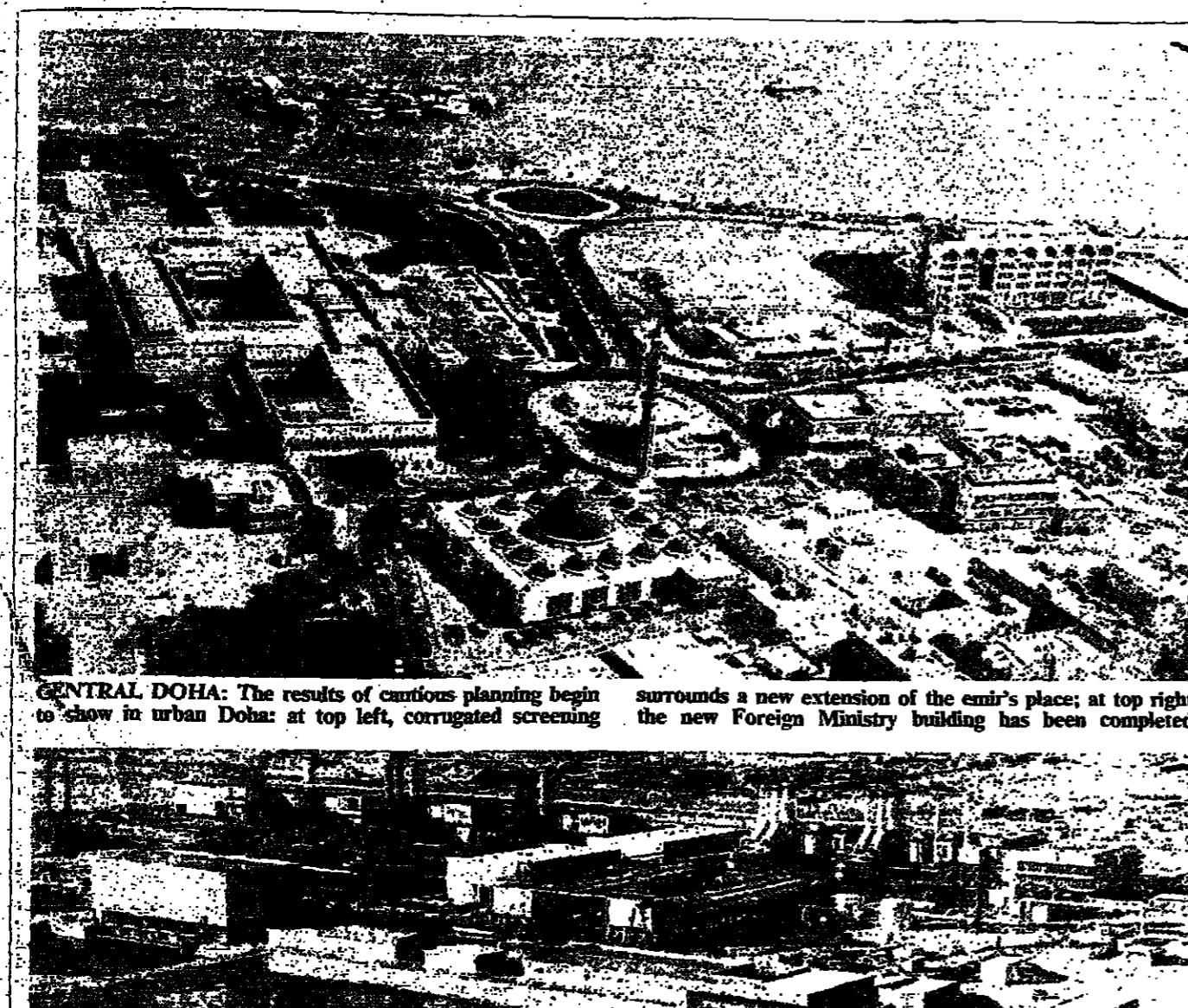
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## CONSTRUCTION IN THE ARAB WORLD



**CENTRAL DOHA:** The results of cautious planning begin to show in urban Doha; at top left, corrugated screening surrounds a new extension of the emir's place; at top right, the new Foreign Ministry building has been completed.

An example of Qatar's use of oil revenue to build an industrial infrastructure is the Ras Abu Fontas power station.

### 'New Doha' Quarter: Qataris Reclaiming Bay

#### Emirate Takes Cautious Approach, Uses Detailed Planning for Urbanization

TEN YEARS AGO Doha Bay was half exposed at low tide and unpleasant smells from effluent and rubbish, now banned from the spot, wafted into the Qatar capital.

An important development on the north side is the area reserved for foreign embassies, for which security is more easily organized. The Kuwaiti and Japanese embassies have already moved in and the remainder are expected to follow soon.

Qatar General Petroleum Corp. is one of the first government offices to open in New Doha. The University of Qatar is already partly housed in new premises in a complex of honeycomb design. A two-story shopping center has opened on a 12,000-square-meter (14,000-square-yard) site, and a wide variety of leisure developments wait in the pipeline, including a leisure center with a club, restaurants and children's playgrounds, a long public beach and a sports complex with an Olympic-size swimming pool, a multipurpose sports hall and a football stadium with seating for 10,000 people.

The master plan for New Doha was prepared by the Los Angeles consultants William L. Pereira Associates, and development is controlled by Hisham Khadoumi, a Palestinian who heads the emir's technical office. Qatar has resisted the temptation, sadly common among the nouveaux riches of the Gulf, to throw up a forest of skyscrapers with little thought of long-term planning or social and environmental side effects. Development has been cautious and slow by regional standards. There is no desire to fill New Doha in two or three years.

Five thousand new homes are expected to be built by 1990 and a further 5,000 by the end of the century, by which time 20 percent of Doha's people will be living in the new district. Housing is to be set around community centers containing shops, mosques and social facilities and will be of a high standard. The first

### Tougher Bonding, Guarantee Requirements Make for Shedding and Spreading of Risk

THE PROVISION of bonding and guarantees for contract performance in the Middle East has been described by one U.S. contractor as a snake charmer's art. The finesse of the exercise lies in the shedding and spreading of risk. The execution of contracts is supported by a raft of guarantees, indemnities, counter-indemnities, bonds and standby letters of credit to meet the tough contracting conditions of the buying countries.

Profitability, or even break-even point, can be wiped out by heavier than expected bonding expenses and definitely by inadequate financial analysis in the early stages of the contract negotiations. Though Middle Eastern states, with the possible exception of Libya and the obvious example of Iran, do not uniformly call bonds, levels of direct and contingent liability are high for contractors and banks.

Bonding requirements in the area are considered very one-sided in favor of the client — "an open-ended risk throughout the whole period of the contract," as one British finance manager put it. Virtually all bonds are on demand and in Saudi Arabia local rules restrict the use of conditional guarantees. "Bonding is arduous and expensive," a representative of a U.S. process engineering corporation said.

Four types of bonds or guarantees are needed through a contract's life: a bid bond, usually between 1 percent and 2 percent of the bid price and demonstrating the company's serious commitment to the work. After the contract is let, this is replaced by a performance bond, mostly 10 percent of the value, but 5 percent for government contracts in Saudi Arabia. This bond, guaranteeing the contractor's performance, remains in place until the client has accepted the works. The third is a guarantee against advance payment and the fourth a retention money guarantee. Civil works contracts tend also to contain decennial liability clauses.

All these guarantees, contractors say, are subject to haggle and to varying conditions in different countries. For instance, in the United Arab Emirates each entrant acts somewhat differently, though oil-sector contracts in Abu Dhabi tend to follow more standard international forms. And throughout the region private sector contracts vary substantially from government conditions, and often leave contractors very exposed.

Contractors cite an array of risks and problems: they say they often have difficulty in getting bonds released or canceled after due

contract performance. "People in the Middle East are scared of signing bits of paper," a British contractor said.

Advance cash payments can be another headache. They are customarily made at between 20 percent and 25 percent of contract value, either as a loan to be repaid or as an advance that is gradually paid back as performance continues. Contractors say they frequently have difficulty in getting the guarantees for these sums reduced as work progresses and more is paid back. Saudi Arabia apparently has a poor reputation for this.

One European contractor with a recent contract in Algeria said that there, at least, there exists written down a mechanism for reducing advance cash payment guarantees. In Oman, however, where FIDIC (Fédération Internationale des Ingénieurs Conseils) contracts are normative, reduced ACP bonding liability is well accepted.

Well-versed contractors often comment that last year's experience is not necessarily relevant to this year. Saudi Arabia is a case in point. A Saudi expatriate banker said, "The economic situation is substantially changing." With some real signs of a shakeout in the economy due to decreased current revenues, a Royal Decree of May 1982 promulgated a cut in public-sector advance payments, from 20 percent to 10 percent.

When the effects of this are felt in new contracts, probably in early 1983, it will be a completely different situation. Contractors will still have to make over to banks issuing performance bonds some portion of the advance payment as collateral. This, combined with the recent re-emergence of retention money guarantees, will leave projects less liquid.

Contractors will have less money to lay their hands on, thus increasing risk for themselves and their banks. "Banks will have to be very careful," one of the Saudi joint venture banks said.

Kuwait, too, has cut advance cash payments, which range there up to 25 percent. Large contracts can expect 10 percent instead of 20 percent and may have to present a case citing heavy mobilization costs.

Retention money guarantees, which take the form either of the contractor withholding a percentage each time of the payments from the contractor or a bank guarantee issued in favor of the client, cause other problems. In Saudi Arabia, for instance, it is difficult to get these guarantees or sums released. There are often

— CAROLINE MONTAGU

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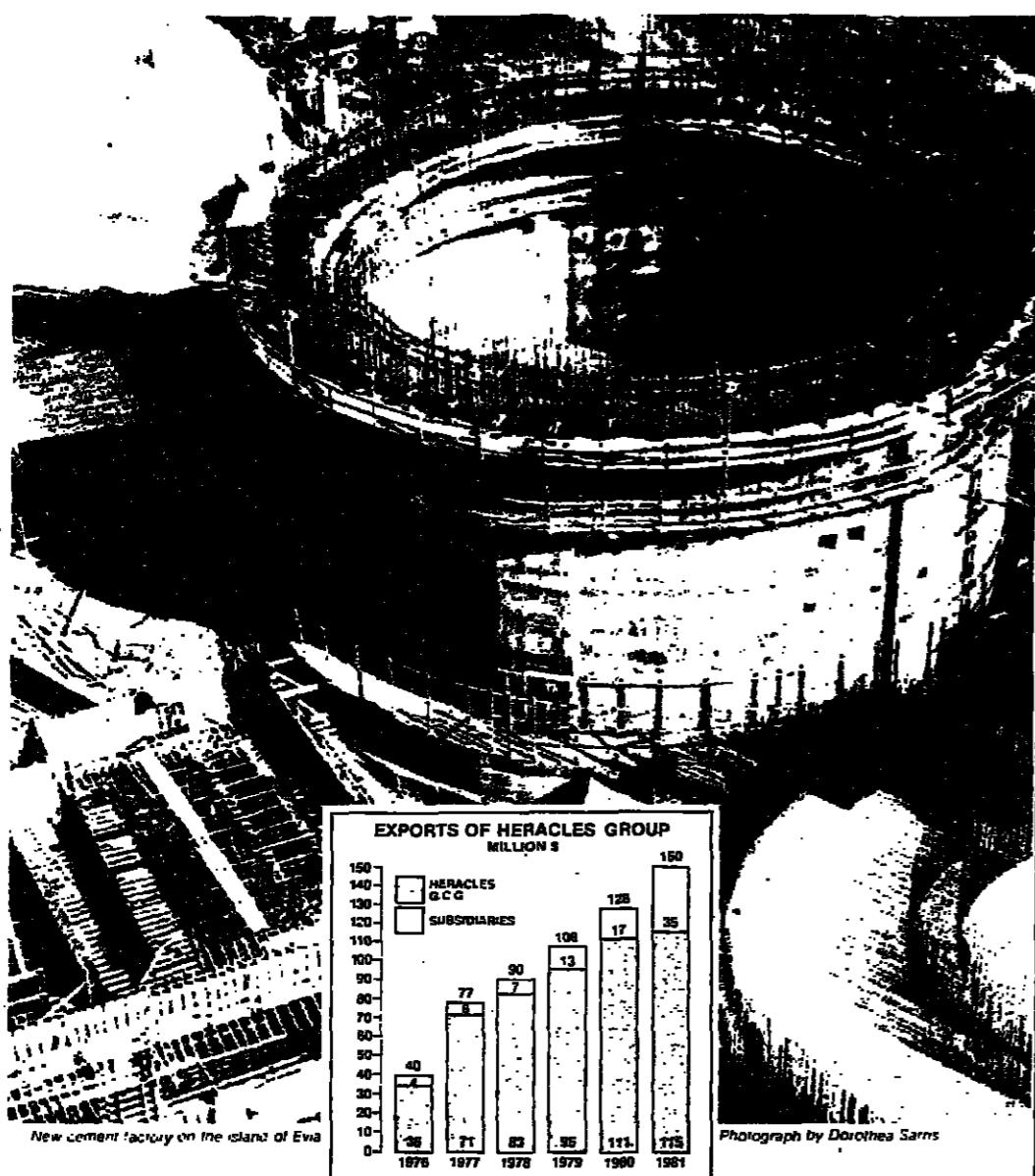
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## CONSTRUCTION IN THE ARAB WORLD


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QUEEN ALIA MAUSOLEUM — E.J.D. Mansfield, a senior partner of London's Halcrow Architectural Practice designed this mausoleum in the

memory of the late Queen Alia of Jordan. It was completed in 1980. Among its features is its facing of calacatta alba marble from Carrara, Italy.

## Amman Boom in Office, Hotel Buildings Recedes

By Sarah Searight

THE POPULATION of Amman grew from 30,000 in 1948 to 1.2 million last year. Bazaars, shopping centers and transport terminals now cover most of the city's ancient sites, but a few Iron Age fort on the nearby hills and Roman remains in the center indicate Amman's antiquity.

Its modern development is the result of war: a large influx of displaced Palestinians in 1948, another in 1967 and still more refugees from the Lebanese civil war after 1976.

The city's development has been hampered by its geography — a series of steep-sided hills converging on the town center, which has grown up since Roman times in a narrow valley. Waves of housing and office development cover the hills. Recent growth has been largely at the hands of the more affluent. The Gulf has offered Jordanians and Palestinians jobs and nearly \$1 billion is remitted each year. But rents in Jordan remain strong and every Gulf earner wants to build himself a home in Amman.

The last three years have also seen a boom in office and hotel building, which is now tapering off. Amman has more than enough.

The National Planning Council has called for an overall housing strategy, and a consultant should be chosen shortly for a year-long, nationwide study. Under the present five-year plan, which runs until 1985, the main emphasis is on low-cost housing.

Amman has its fair share of squatters. Three years ago the Urban Development Project was set up to look into the problem of housing them. It has two projects in a whole, and low to middle-cost suburbs are being developed on the bare brown hills that surround the city. The Chinese are working on one such suburb for 40,000 at Abu Nusair, with a French Lebanese consortium. Soviet consultancy bids have just been submitted for another mixed housing project, for 3,000 units to house employees at the new Queen Alia airport, 30 kilometers (18.6 miles) south of Amman. The airport is expected to start functioning next year and the township should be ready by the end of the decade.

Movement from town to country is likely to continue. City growth is forecast at around 3.4 percent, sadly for the country as a whole, and low to middle-cost suburbs are being developed on the bare brown hills that surround the city. The Chinese are working on one such suburb for 40,000 at Abu Nusair, with a French Lebanese consortium. Soviet consultancy bids have just been submitted for another mixed housing project, for 3,000 units to house employees at the new Queen Alia airport, 30 kilometers (18.6 miles) south of Amman. The airport is expected to start functioning next year and the township should be ready by the end of the decade.

Offers for the Alia township had to be submitted by a local consultant in association with an international partner. This is usually the case. International companies find it politic as well as practical to have the local associate, while the latter, generally efficient and professional though he is recognized to be, finds the international partner may have more experience of advanced technology and design and new materials.

Materials are obtained from local suppliers because there are too many bureaucratic delays in importing them. Amman sits on much of the aggregate used in the city. Zoning is somewhat haphazard in the city but in those areas zoned for better housing a certain amount of stone facing is stipulated according to the size of plot, and therefore the standard of house. This makes the cost of housing but also makes for a harmony that is rare in cities developing at Amman's pace. Facing stone comes mainly from the West Bank, as does most of the marble that can be used as an alternative.

Traffic is as much of a problem in Amman as in other large cities. Halcrow Fox has submitted an overall plan for roads and public transport and the National Planning Council has invited prequalification tenders for four traffic intersections. There are also plans for multi-story car parks, which are desperately needed to relieve congested streets.

## Building Materials: Local Involvement in Supplies Grows

R Ecession may be the key

given to cost effectiveness. There is also more supervision at the planning stage. Local involvement has expanded, particularly in the field of supplies of materials and equipment. Nationalization of supplies, joint ventures, transfer of technology and, above all, the availability in the area of an ever-widening range of materials in general relieve the contractor of some previous headaches.

The continuing boom is most evident in Saudi Arabia, the United Arab Emirates and Iraq. As a measure of Saudi construction, it is worth noting that cement consumption there is around 17 million metric tons (18.7 million short tons) a year, and, for example, a 3,000 cubic meter (3,900 cubic yard) building uses about a thousand metric tons. Iraq thrives paradoxically because of its war with Iran, thanks to the huge sums of money sent in aid by Gulf countries. Construction continues apace in the United Arab Emirates, especially Abu Dhabi, partly because of infrastructure projects, partly because there is still enough money in the kitty for prestige projects.

Of the materials used for the industry, cement is the most prominent and one of the best established industries in the Middle East.

Saudi Arabia and the UAE plan to be self-sufficient by the mid-1980s. Other countries are constantly increasing production, many with West German or British equipment. Imported cement comes from Europe, India and the Kenyan cement works at Bamburi, often by way of floating silos, as at Aqaba in Jordan and near Muscat in Oman, which can offload either into bulk carriers or into bagging apparatus. None of the Gulf cement is sulphate-resistant, an essential for foundations in the area because of the high salt content of the soil, and specially treated cement still has to be imported, either ready for use or in aggregate form.

Ras al-Khaima, an emirate of the UAE, is hoping to corner the Gulf market for white cement, used for decorative finishes, with a plant to be completed in 1984 producing 300,000 tons a year. Only this relatively impoverished emirate has the right quality of limestone. Local rock is also being used in Fujairah, another of the emirates, in two small plants producing rock wool and ceramics, mainly for the local and Omani markets.

Steel is imported in different stages of preparation, generally now by local suppliers, either nationalized, as in Iraq, Syria, Egypt and Libya, or private, as in Saudi Arabia, the UAE and Jordan. The source depends to some extent on which developed country, if any, dominates the consultancy market and writes out the specifications of a given contract.

Japanese steel has become more

and more popular; there is plenty of it, it is cheap and the quality is good. U.S. steel is not much seen; British steel predominates in the UAE and Oman and also in specialized fields. A British company, H.H. Robertson, has done well exporting architectural steel to the Middle East. South Korea is also investigating the market.

Some of the Japanese steel is sold through joint ventures, as are many other construction materials. This is one of the results of national pressure to "localize" control of the country's development. But it is not only politics that makes the joint venture attractive: customers are also glad to avoid import headaches by buying locally. The Japanese have set up several steel ventures, in particular in Egypt and Saudi Arabia, where they are manufacturing pipes from Japanese steelstock. The Danish firm of Hempel has a joint venture in Qatar to manufacture paint. Britain's ICI has a similar arrangement with a Jordanian company to manufacture emulsion and alkyl resins for the Middle East.

A different sort of example of foreign enterprise setting up with an eye to local acceptability is the French ceramic company Ceric, which establishes brick works in Egypt to make its products from desert clay instead of riverside clay, which, since the High Dam was completed, is no longer being replenished by the annual Nile flood.

Vehicle assembly plants are another kind of joint venture, though generally for smaller units. The Middle East appetite for vehicles is as voracious as ever, and most

countries in the area have such plants. Fiat is building a plant with the Libyans near Tripoli to assemble 10,000 vehicles a year, mainly for domestic use. Fiat is also breaking into the Iraqi and Saudi markets, though not yet to the point of assembly plants.

In most parts of the area heavy transport vehicles are imported through private or government agencies. Sometimes, as in the Gulf, this is compulsory as a means of spreading the spin-off from oil wealth. Gone are the days when contractors imported their own vehicles and most are thankful to be free of the burden, which included the nightmarish business of providing certificates of origin for all spare parts.

Caterpillar of the United States is still way ahead for really large equipment, bulk movers especially, and has the best reputation for service and spare parts. Its nearest rival is the Japanese Komatsu, seen as better for smaller equipment, and the West German Daimler-Benz, which is strengthening its position in Iraq by setting up training schools for mechanics. A criticism of U.S. vehicles has been that they are sometimes too complicated for the inexperienced mechanic.

Exceptions to this general rule are made for specific projects. Mack Trucks Australia, for instance, has built two cab and chassis units for a particular road construction job in North Yemen, and there is a tender out for six heavy-load transport vehicles to haul petrochemical modules to the new Saudi port of Jubail.

There is still an awful lot of the Middle East that cannot yet be reached by road, let alone by any sort of bulk carrier, and roads play a large part in development plans. Iraq is particularly vulnerable, because of the war, most of its imports come by land and truck. There have existed a costly toll from roads and bridges. Special cement sometimes has to be imported for road construction, as well as bitumen, which is supplied through local agents, sometimes in joint ventures with oil majors. Supplies come from as far away as Singapore and Curacao, though there are bitumen refineries in Jordan and Bahrain.

Transporting bitumen remains a

problem. Contractors who have been in a country a long time sometimes have their own bitumen heaters on site. Others, where the supply can be depended upon, plan their progress to fit in with the regular arrival of trucks, some of which may be insulated, others incorporating their own heaters. MEDC Corp. of Switzerland is among those building bodies for such trucks. Elsewhere, as in the military airfields in Oman, for instance, at Khasab in the Musandam Peninsula, the bitumen is transported in barrels by barge and has to be blended on site.

Over the last 10 years public and private clients in the Middle East have learned about quality the hard way. The reason Gulf sheikhs build themselves so many palaces, it is said, is because they reckon the lifetime of each is so short. Already in Abu Dhabi they are knocking down multi-story blocks, with the greatest of ease, that are sometimes no more than five years old.

Land is more expensive now, and so are building costs. More research has been done into the climatic problems of the area, for steel and concrete especially. Corrosion along the flat salt marsh shores of the Gulf is some of the worst in the world. Thermal movement from expansion and retraction in the wide-ranging temperatures of the desert has led to modified specifications for steel and concrete. Local involvement is greater at all stages of a project and technicians from all over the world with an enormous variety of expertise are working in local conditions. Everyone wants to sell to the Middle East.

Recession is as topical here as elsewhere. But its effects are more muted and many oil governments are relieved at the slower tempo of development, finding it easier in the present mood to assess the lasting value of a project. There is still plenty of scope for suppliers of materials and equipment, but they would be well advised to check the worthiness of projects on hand before too heavy a commitment. Always take a local representative with you and watch out for competitors.

— SARAH SEARIGHT

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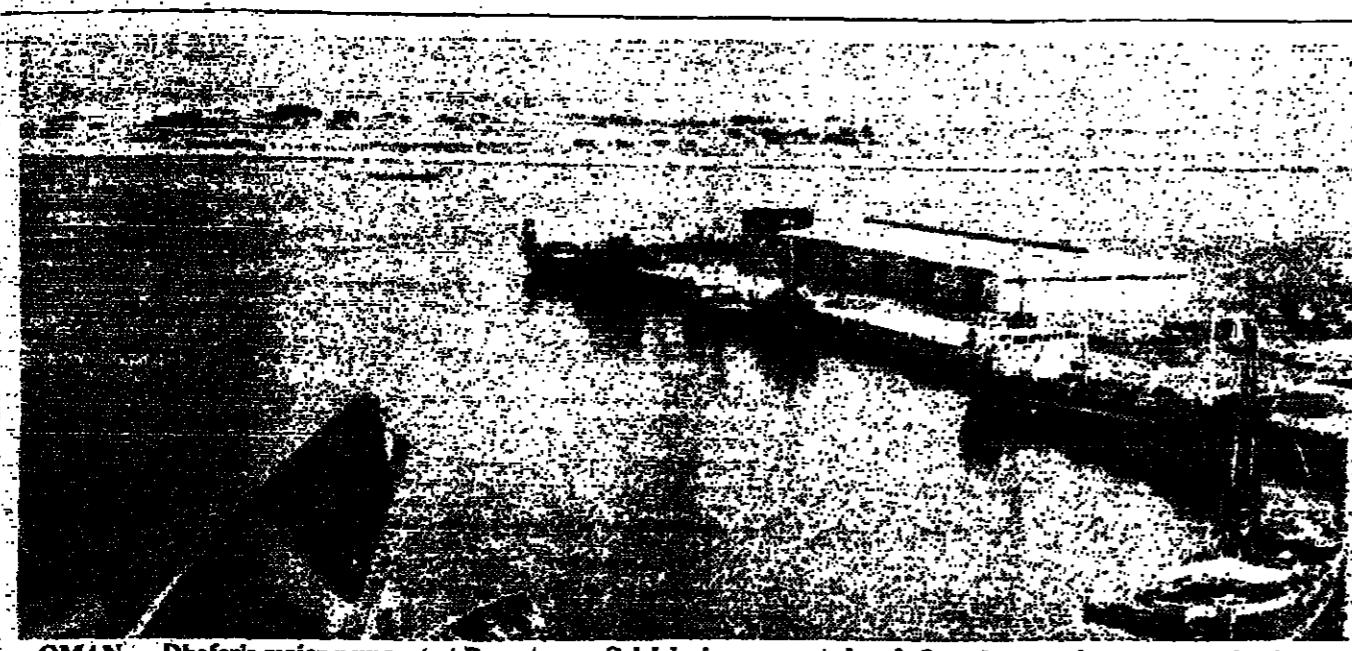


INFRASTRUCTURAL WORK — In Sana'a, North Yemen, workers dig a trench for water pipes. The Arab world contin-

ues to be a source of construction contracts as its governments push to develop vital national infrastructures.

Job, inlets

## CONSTRUCTION IN THE ARAB WORLD



OMAN — Dhofar's major new port at Raisut, near Salalah, is an example of Oman's commitment to modernization.

### Gulf's Small Contractors See Hope For New Markets in Regional Unity

By Ken Whittingham

**T**HIS FIRST day of December will mark an important stage for the development of the private sector in the Gulf Cooperation Council member states. On that day the first phase of the council's unified economic agreement becomes effective.

The first stage principally involves the exemption from duties of nationally produced goods in member states when entering other member states. Port charges and other obstacles to transiting and import or export of local goods will be abolished in favor of member states.

An additional area of importance is the ownership of private sector companies. From Dec. 1, any council member may set up a business in any other member state, provided initially that he is in partnership with a local of that state. Over a five-year transition period the distinction will be phased out so that any member may set up his own business anywhere in the cooperation council region.

More important for the construction industry, Abdullah Quiviz, the council's assistant secretary-general for economic affairs, has said that from Dec. 1 nationally owned construction and contracting companies will be treated as local rather than foreign companies when bidding for contracts in council states. This will be good news, for example, for the estimated 600 contracting companies in the tiny state of Qatar, who have had difficulty entering the huge markets in the United Arab Emirates and Saudi Arabia, according to more than one manager.

Ever since the oil companies moved into the Gulf in the 1930s, construction has been second only to trade as an economic activity for well-established local companies. As governments in the 1960s and 1970s began to pour investment into infrastructural development, so the local construction sector mushroomed. Saudi Arabia, with its network of highways and with development and construction programs in most villages over the past decade, had provided a wealth of work for local contractors, now thought to number more than 5,000.

Life is not easier, however, for local contractors than for the international companies whose market they have squeezed. Consider some of the following major problems put forward by general managers throughout the region:

The number of local companies entering the construction market is growing almost weekly. The number of major contracts within the competence of local contractors is decreasing in many of the countries involved, as basic urban development nears completion.

### Quality Gives Small Nations Edge in Bidding

THROUGH specialization and high-quality products, small countries are still capable of competing successfully for major construction projects in the Middle East.

A case in point is Finland, which currently has about \$500 million worth of contracts, half in Iraq and most of the remainder in Libya and Egypt.

If there is any one major drawback, it is in collecting payment, which can be particularly hard on smaller countries, whose invisible export earnings can sometimes disappear substantially on overseas contracting. Because of their smaller corporate structures, the Nordic construction companies, many of which have had long associations in the Middle East, particularly in Iraq, have difficulty in bearing the financial burdens caused by delays or even nonpayment.

Recently Finnish and Swedish contractors for the most part completed the \$240-million Baghdad Conference Palace, now a spectacular white elephant since the conference for which it was specifically designed and built, the non-aligned nations summit in September, was canceled after objections from Iraq and plans were made to move it to another venue.

In addition to the palace itself, supporting residential and leisure complexes worth another \$200 million have also been completed, principally by Finnish and Swedish contractors. Because of contractual delays and, according to some experts, contractual procedure problems, a long drawn-out wrangle is in progress over compensatory payments by the Iraqis, which has led to government-level talks.

The main contractor for the palace was the IKCO group of four Finnish companies. About 20 main subcontractors and 1,700 workers from 22 countries have been involved in the work. Most are reluctant to air their views publicly or even to admit there are any major problems. However, Timo Myllys, of the Association of General Contractors of Finland, said there had been payment problems and "the results have not been too satisfactory."

Matti Saranen, of Polar-takemusosakeyhtiö, which is part

On small contracts, house building and similar projects, a small new company inevitably has less overhead than a major company geared up to compete on an international basis for longer-term ventures. This problem is particularly exacerbated by the labor situation in the Gulf.

Now that the six Gulf Cooperation Council states have largely coordinated their immigration procedures, there is no pool of available manpower in the Gulf states. In the Gulf, regulations require that immigrant workers, the only source of construction labor, must be employed by a sponsor, whatever their skills or nationality. Sponsorship cannot be exchanged except under extraordinary circumstances.

It can take as much as six months to recruit labor, obtain the necessary visa and permits and finally get the man on site. The work force must be provided with accommodation as well as transport to and from work.

To this must be added the high cost of Western executives. Many, though by means of all Gulf construction companies have Western or Lebanese management and experts. The real cost of employing such executives is well over \$100,000 a year.

The local contractor may have to import equipment not available in the region. He may find himself paying a higher price than the international company with its better supply network.

While competing with foreign companies, especially from the Far East, the local contractor with high overhead finds himself against a giant contractor who in some cases is not only subsidized by the foreign government concerned but is also offering to import his work force, complete the job, and take away the work force. It is well known among construction workers in the region that Korean workers in particular are required to work longer hours for less remuneration than workers employed by the domestic private sector.

Whereas the foreign contractor has invariably spread his economic risk over a wide geographical area, as well as maintaining a presence in his home market, the local Gulf contractor has as yet little chance of moving into new markets, though some of the bigger companies, like Bin Laden and Saudi Oger, are poised to do so.

The result is that whereas in the heady days of the middle to late 1970s local contractors could make big profits from house-building contracts for oil companies and other small-scale operations, they are now forced to bid at prices that may bring a 10-percent profit if everything works exactly to plan, and which may involve losses if problems arise. In other words, the requirement to keep the company

turning over has become as important for local contractors as for foreign companies.

The tight competition is not only driving down prices, it is also allowing a rapid increase in standards. Government specifications for building standards, whether for roads, housing or industrial projects, are slowly being unified throughout the cooperative council region, and it is apparent to the most casual observer that design, construction and finishing is of a much standard than five years ago.

The fact that so many companies, foreign and domestic, bid for even small contracts means that clients can require and obtain contractors with appropriate qualifications and experience. For this reason, many of the bigger domestic contractors have either formed joint ventures with international companies or have worked out systems of technical cooperation.

Another constraint beginning to force smaller companies out of the market is that governments and banks are more cautious about providing financial assistance than they were a few years ago. Abu Dhabi Chamber of Commerce recently proposed that all contracting companies working in the United Arab Emirates should have a minimum paid-up capital of 250,000 dirhams. Similar regulations are likely elsewhere, and it is significant to note that the call comes from the private sector and not from the government.

Problems abound for the local contractor, but the prospects still look bright for those with the financial and technical ability to operate at international standard. Road-building and housing, which, except for certain extremely difficult technical projects, have now been awarded throughout the region by preference to domestic companies, will provide a greater level of work in the next few years. The GCC is studying a plan for a highway network linking all the member states. The project, which is almost certain to be approved, will involve a number of lucrative contracts in each of the six member countries — Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar and Oman.

In addition, every state in the region is now looking to the social environment. Qatar, the United Arab Emirates, Oman and Saudi Arabia have all announced major low-cost government housing projects. Other works in the pipeline include a great deal of urban improvement through parks, recreational facilities, sea promenades and other construction works that present no difficulties to local contractors.

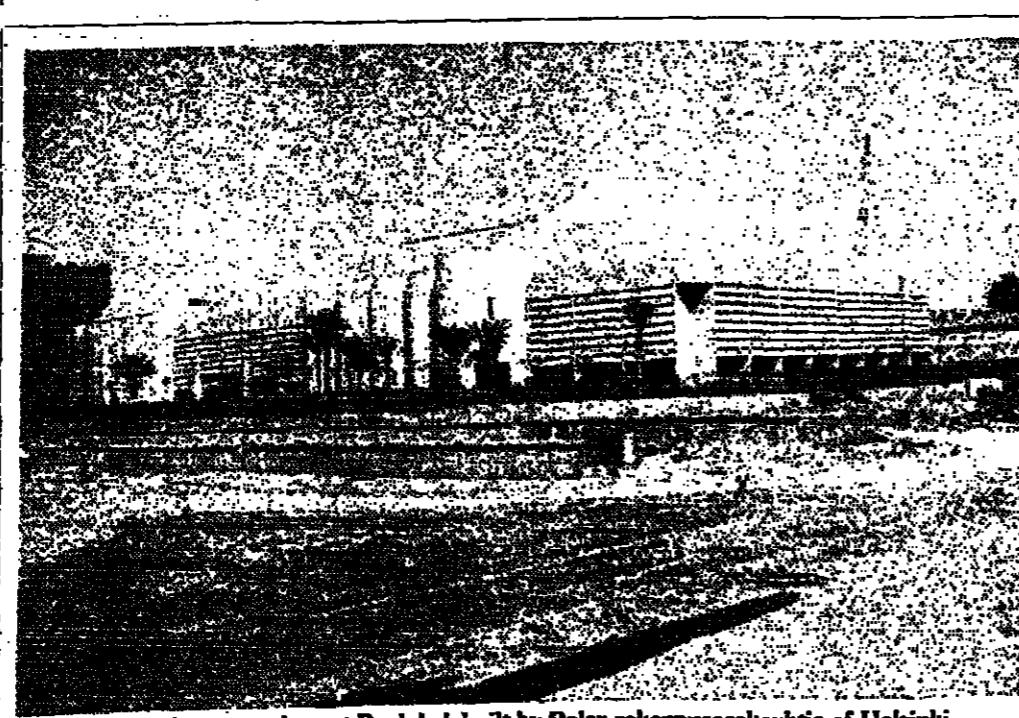
So for local contractors, as for their international competitors, the signs are clear. The Gulf is once again a booming construction market, but without the pots of gold that accompanied completion in earlier years.

Beghdad, feels confident about the Middle East as well. He said: "Our problems in Libya, for instance, are nothing compared to those that we are having in Nigeria. The Iraqis see us as a small country that only has economic objectives, and this is very important. We feel quite a good future in places like Libya and Iraq, and we can still offer our services without any problems on our side."

He added a cautionary note that if the political and other problems of the whole area of the Middle East were taken into account, it might be advisable to look out for construction opportunities in other parts of the world.

Many of the Finnish companies depend on Arab countries for at least 50 percent of their business. One of the oldest established companies with links in Iraq going back to the mid-1950s is YIT. This company, together with Vesi-Pekka, has been building the "Baghdad Island" leisure project, worth just under \$100 million. This is a 70-hectare (173-acre) complex with two luxury hotels, an artificial lake, tennis and squash courts,

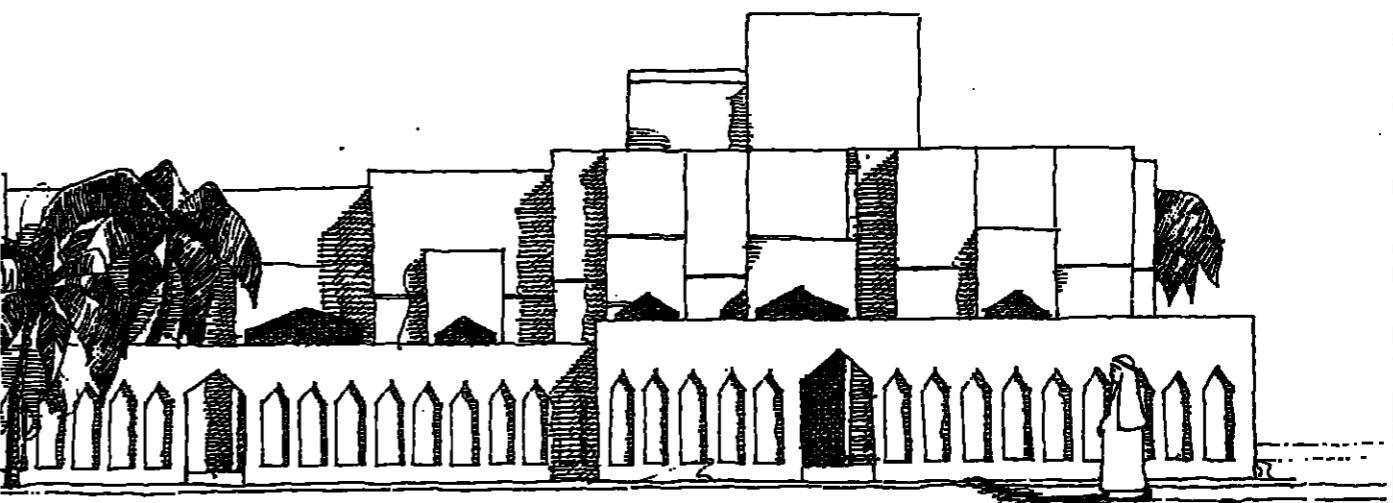
— MICHAEL FRENCHMAN



The conference palace at Baghdad, built by Polar-takemusosakeyhtiö of Helsinki.

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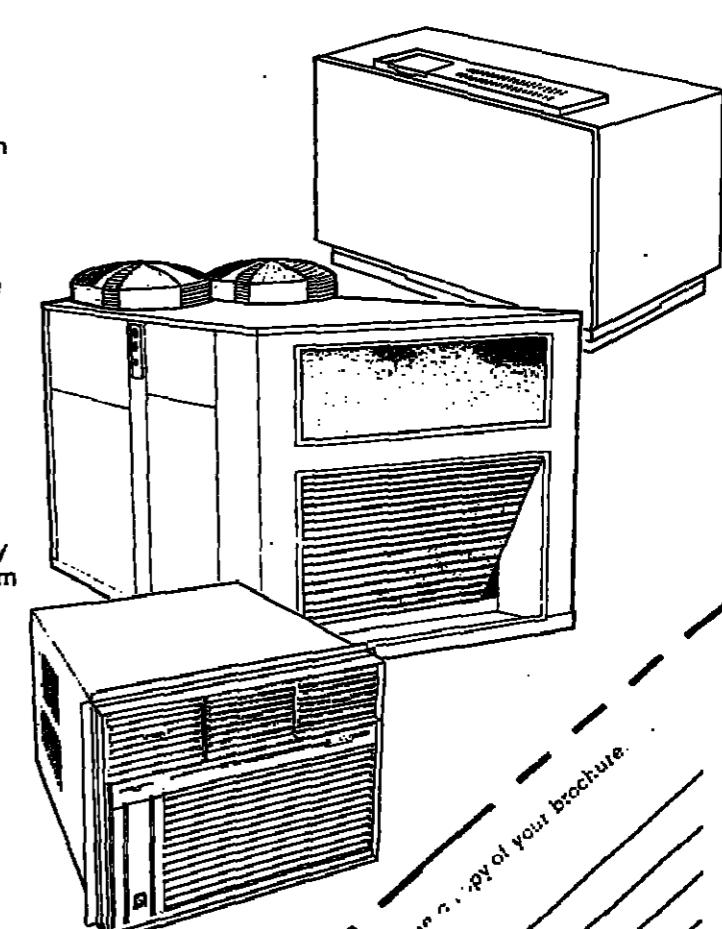
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## CONSTRUCTION IN THE ARAB WORLD

### *Harsh Competition for Contracts Seen*

THERE IS still no better area in the world for construction companies to earn hard currency than the Arab Gulf states and especially Saudi Arabia. But while the dollars are available for final payments, the biggest headache facing international contractors is to win the contracts in the first place. Competition is fierce and the signs are that it will be even tougher in the coming year.

In 1981 Saudi Arabia, which with its \$300-billion five-year plan remains the biggest source of new contracts, issued new work worth around \$25 billion. Spending on major developments will continue, but Commerce Undersecretary Abdul Rahman al-Zamil recently sounded a warning. He told the Jeddah-based Saudi Gazette that spending will be down in 1983 and that there would be "an accelerated trend toward Saudization of the economy to compensate Saudi companies for the actual decline in contracts to be let this year."

He said there would be less business for foreign contractors and that those winning contracts would be required to buy materials and equipment through Saudi agents. With more than 5,000 construction sector companies registered with the ministry, it is hardly surprising the competition is tightening up.

Saudi Arabia is not unique; it is simply a greatly magnified version of what is taking place throughout the Gulf. Experienced company representatives and managers are noting that the construction market throughout the Gulf Cooperation Council area is more soundly based than ever before. Oil and gas finds in Sharjah have reawakened a major surge of development in the Northern Emirates of the United Arab Emirates, although Abu Dhabi has said no new projects will be started next year.

The decline in oil revenues because of falling markets has inevitably affected the economies of the

Gulf states. In real terms, however, the damage has not been as great as it has seemed. Small apparent budget deficits in Kuwait and the United Arab Emirates follow years of massive surplus, and in any case the absence of complete budget figures for most of the Gulf states render access to true total revenue figures difficult.

The glut in the oil markets and consequent cuts in production gave Gulf governments a perfect opportunity to clamp down further on domestic inflation and excessive reliance on the state sector. The bonanza days of 1977 when foreign companies reaped massive profits from inflated contracts are long gone. Gulf governments have learned the value of planning and control and are eager to obtain value for money. Moreover, the tightening of the oil market has convinced Gulf rulers of the need to give an urgent boost to the private sector so that private money stays within the regional economy rather than taking flight into dollar investment.

If the economic situation in the Gulf has allowed the Gulf states to increase a long established drive toward rationalization, the recession in the rest of the world has turned the construction sector into a buyer's market. Consequently, companies from every part of the world from Latin America to the Far East are looking for work at any price, often below real costs, in order to maintain work capacity and stay in business.

Just how important the Middle East and especially the Gulf market is can be seen from the fact that 37 U.S. companies won \$12.8 billion of new construction business in 1982, while construction management contracts for 1981 at \$16.1 billion were 25 percent up in 1980. These figures make the Middle East the United States' biggest foreign construction market. The giant U.S. engineering and con-

sulting firm Bechtel won 12 percent of a total turnover of \$11.6 billion from the Middle East in 1981.

Bechtel is consultant on the new Jubail City and Riyadh airport, two of the biggest projects running in Saudi Arabia, in addition to many other ventures in the region.

The Americans are basically gloomy about the market despite the figures and see the future prospects more in terms of consulting and management than in actual construction contracts. U.S. companies and to a large extent West European companies simply cannot compete on price against the competition from the Far East and especially Japan and South Korea.

A recent report by the Organization of Arab Petroleum Exporting Countries put the cost of an executive or technical expert working in the Gulf at \$200,000 a year.

Western companies complain that their Far Eastern competitors bid for tenders at less than real-cost prices with backing and subsidies from government. The charge is frequently leveled at Korean companies, who with 19 percent of new business took the biggest slice of the market in Saudi Arabia last year. West Germany was second, with Japan third.

Since money supply became tighter in the Gulf, the mobilization payments offered have reduced and Saudi Arabia will now only provide a 10-percent advance payment. Far Eastern companies are believed to receive help from their government in this respect and also have much lower labor costs.

An indication of the level of government backing is the tour of the Gulf by South Korea's building minister, Kim Chong-Ho, planned for the end of 1982. The sole purpose of the trip is apparently to convince Gulf governments that his government will

come into Gulf ownership. Yahya Costain has been doing well in Oman, and in Saudi Arabia Saudi Oger, Saudi Bechtel and Bellast Needham all have an edge in the market because of their direct local connections.

With the determined commitment on the part of Gulf governments to develop the local economy, this trend of major companies becoming localized is likely to continue.

— KEN WHITTINGHAM

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CONSULTANCY WORK in the Middle East, as elsewhere, is in a state of evolution, offering a bewildering choice of candidates.

Traditionally, a consulting engineer on the British, and to some extent West European, pattern is employed to supervise a project from start to finish for a high but fixed fee, which is never increased. An atmosphere of complete trust, crucial to the success of a project, consulting engineers claim, is built up between the client and the consultant, who monitors cost control, quality and safety.

Consulting engineers claim that only they have the full range of abilities to carry out the task satisfactorily. For this reason they stand apart from others involved in any construction project.

The consulting engineer draws up a feasibility study in conjunction with his client and then moves on to a detailed survey and contract design before putting the work out to tender. He then works out detailed designs, and the contractor carries out the work under the watchful eye of the consultant.

The rich spoils in the Middle East, particularly during the 1970s, attracted unscrupulous operators in most fields, and consulting engineers were not exempt. A few sagging floors in princely palaces have done untold damage. The result has been a breakdown of traditional confidence and trust, which has contributed to shifts in the pattern of working.

In many Arab countries, technical decisions still tend to be made by expatriates. A major difficulty has tended to be adjusting the fee to the service, because Arab clients tend to look on consultants in the same way as contractors, who have a much more clearly defined role.

The appeal of turnkey projects in these circumstances is evident. A package concept is quicker in many clients' eyes and less bother. Under the traditional system, a client may well have to work harder with a consultant and may not wish to.

Many Arab clients are hedging their bets by splitting up consultancy work, allotting the tender documents, feasibility studies and supervision to separate groups of people, a trend that some international aid agencies, including the World Bank, have adopted for political reasons, to spread work more evenly. They may still employ consulting engineers, but the operation is put in the charge of a project manager.

Consulting engineers have understandably become defensive about their role, and FIDIC, their international federation, is increasingly concerned about the erosion of fiduciary care, which one expatriate architect working extensively in the Middle East claimed is an environmental safeguard in the long term.

They have no objections to project managers if they are also consultant engineers, which many are, although they claim that it entails introducing a new, unnecessarily costly, tier of control, and is therefore inefficient. When a project manager prepares a specification, he puts out the project to perhaps 10 contractors, so the argument runs, who each produce a set of designs, and this is wasteful.

Who, then, should be captain of the team? Perhaps 20 to 30 innovative variations have been tried in recent times, including consulting architects and quantity surveyors. With such an important job up for grabs, the controversy was bound to be heated.

A few months ago Owen Luder, president of Brit-



Wide spaces surround the low-profile buildings at 550-bed Mafraq Hospital, above left. The U.K. firm of Sir Alexander Gibb & Partners were consultants. VIT Ltd, contractors, are building a 720-seat amphitheater, right, on Baghdad Island.

### **Consulting Engineers Report Rapid Evolution of Profession**

sin's Royal Institute of British Architects, asserted: "We are the only profession able to offer complete involvement from start to finish. In less than a decade from now I predict that it will be an architect in the main who will be controlling construction from within the industry." He went on to attack quantity surveyors and, more especially, project managers, many of whom "have little if any qualification for doing so. Too often it is becoming little more than a con trick on clients."

Some consulting engineers have criticized the use of a project management operation in building the industrial city of Jubail, Saudi Arabia, one of the biggest construction projects in the Middle East. It could have been done more cheaply using a traditional consulting engineer, a consulting engineer claimed, or at least a consortium of consulting engineers, another said.

"Impossible," said a spokesman for Bechtel, the U.S.-based construction giant that was awarded the management contract for Jubail. In such a huge operation only a multidisciplinary operation could have coped, a spokesman said. But Bechtel, with a turnover of around \$11 billion, is one of only a handful of companies worldwide capable of taking on such a task single-handedly.

Bechtel regards project management as a legitimate career in its own right. A project manager in its organization is promoted from a team comprising an engineering manager, a construction manager, a process manager, specializing in chemical engineering, a commercial manager working under the construction manager, a technical services manager, who deals with cost controls and schedules, and a procurement manager, a crucial task because many materials are not available locally and their long-term availability must be built into working schedules.

Consultants, the Bechtel spokesman suggested, should limit their areas of expertise. Consulting engineers, he said, are strongest on technical advice—but weaker when estimating. The British system, he said, is more, not less, expensive in inflationary times, because a consulting engineer has no initial brief to order materials and normally takes many months more than a project manager, who can start ordering long-term equipment at the same time as working on the basic design.

Cutthroat competition in the Middle East, increased by a new generation of local firms, is causing some foreign consultants to pull out, because they cannot provide a professional service for the fees being imposed on them. Sir William Halcrow and Partners, the London-based international consulting engineers, complain that the thinking and innovating periods are being axed from Middle East projects because no one wants to pay for them and more decisions are now made on the spot. Arup Associates, a comparable competing firm, fear that less scrupulous consultants may pass some of their work on to contractors, a corner-cutting move that could be highly dangerous.

Now that most of the big projects are complete, companies like Bechtel are losing their advantage and meeting fierce competition from smaller companies. Even if they are not forced out of projects, "selling for fat salaries are unlikely to be all you can look for these days," their spokesman said.

— GEOFFREY WESTON

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### **Turkey: Inroads**

(Continued from Page 9S)

larily, domestic sources of financing are insufficient and prevent Turkish companies from undertaking projects on a credit basis.

Mr. Sahenk added other points: "We still lack experience in working overseas. Furthermore, unlike the Korean government or many Western governments, the Turkish government is still not fully aware of the importance of state help in this business."

The government may start to become more interested next year when the financial gains from the business become more tangible. In 1983, Turkey's earnings from overseas construction contracts are expected to become the third biggest after exports and expatriate workers' remittances. The Association of Construction Contractors of Turkey estimates that these contracts will net the country \$1 billion in 1983 and \$1.5 billion in 1984.



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# Herald Tribune

## BUSINESS / FINANCE

THURSDAY, NOVEMBER 25, 1982

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### WALL STREET WATCH

By EDWARD ROHRBACH

#### The Names Change, but Advice Stays the Same: Buy on Bad News

"B-a-milion" Gates, a notorious Chicago speculator, made the point back in the last century when counseling Marshall Field: Smart money avoids deals with a better than 50-50 chance of going through. The risks outweigh the rewards that remain.

It's vintage Windy City hyperbole, the kind that helped build the tallest town in the world, and means any sure thing is already recognized by the market, eliminating the chance for a big killing.

Applied to Wall Street, the advice translates either into buying shares cheap of a young unknown company offering the world a better investment, or simply picking up the stock of proven companies when their price is depressed by passing bad news.

Some analysts think that's what is happening now to SmithKline Beecham — and they say smart money should jump into the stock. It's down 25 percent recently, despite the bull market, over fears the pharmaceutical manufacturer's blockbuster product, Tagamet, the biggest-selling drug of all time, faces stiff competition. The threat comes from Glaxo Holdings' new "ulcer treatment" from Britain, Zantac, to be co-marketed in the United States with Hoffman-La Roche.

"Two curves are crossing and it looks like a classic buying opportunity," said Frederick Greenberg, drug analyst for Goldman, Sachs. "SmithKline's price-earnings ratio is now one of the lowest in the group at less than 10 times 1983 profit expectations, compared with about 12 others while its growth prospects are healthy 15 percent, against 12 or 13 percent for the rest of the pharmaceuticals."

Merrill Lynch's David Paisley believes the challenge of Zantac, though in some ways "clinically superior" as a drug, is probably overstated, and he advises accumulating SmithKline in light of the "psychological damage" done to the stock. Drexel Burnham also continues put SmithKline among its Priority Selection List, and analyst Richard Victor says it is "shaping up to be the best performing drug stock of 1983."

Oppenheimer & Co. was the first brokerage house to abandon SmithKline — whose stock has doubled, on average, every year since Tagamet was introduced exactly six years ago this month. The firm's analyst, Ronald Norman, is neutral on the stock, waiting to see "month by month what inroads Zantac makes into Tagamet's sales," which he notes represent two-thirds (\$800 million) of SmithKline's total earnings. Yet Mr. Norman still calls the company "extremely attractive."

Paine Webber's David MacCallum is less enthusiastic about the stock, recently downgrading it to "hold" and seeing SmithKline "at the crossroads," with near-term prospects "clouded." What's happening now "might well only be a hiccup," he said, but comes at a time when Tagamet's "growth curve is cooling anyway as the drug matures as a product." Kent Blair of Donaldson Lufkin Jenrette also notes Tagamet's "formidable new competition." He does not recommend purchasing the stock.

#### Continuing Buoyancy

Hans-Courad Kessler, chief of investment policy at Basel headquarters of Swiss Bank Corp., sees a continuing downturn in interest rates, forced by the worldwide recession, keeping Wall Street relatively buoyant in the near term.

But to sustain the stock market rally, he said, "fundamentals" must improve in the United States. While optimistic they will — predicting a 30-percent surge in 1983 corporate profits as the national economy gains momentum through the year — he does not believe the present stock price weakness is the "final correction."

Mr. Kessler said many Swiss and other Europeans outside the United Kingdom both individuals and institutions, were sellers in the first leg of Wall Street's big rally, taking profits on stocks held for years and casting in on the dollar's premium to their currencies. On weakness, which he doubts will go to 900 on the Dow Jones average, he thinks many will buy back in. The bank's recommended list includes Standard Oil of California, Standard Oil of Indiana, Union Carbide, Fluor, Raytheon, IBM, Schlumberger, General Motors, Hospital Corp. of America, SmithKline, Philip Morris, Aetna Life and Pacific Gas & Electric.

"Wall Street offers open-ended upside potential against only limited downside risk," said Ian R. Voute, manager of North American equity investments for the Rotterdam-based Robeco group, the largest mutual fund outside the United States.

Convinced current market action is only a correction that will push the Dow no lower than 920, thus presenting a buying opportunity, Mr. Voute said Robeco group's strategy for its \$1.2-billion Wall Street portfolio is twofold: Weet out poor-prospect stocks still remaining such as steel and energy issues, and buy into better-performing performers, notably consumer cyclicals such as airlines and autos.

Debt was singled out among the former with General Motors preferred in the latter group. Utilities are also being bought, with AT&T and Southern California Edison cited. The third favorite group is semiconductor and component stocks. The top choices are AVX, Tandon and Dyan.

#### Healthy Situations

A.G. Becker, highly regarded for his research on the hospital management industry, has these favorites in the group: Hospital Corp. of America, American Medical International and Humana. National Medical Enterprises has been another recommendation, but Becker is underwriting a new stock issue for it and under Securities and Exchange Commission rules must suspend its opinion.

The brokerage firm also likes the turnaround potential of Greatwest Hospitals, a small, "innovative" southern California company with only five hospitals.

Among reasons John F. Hindelang, Becker's director of research, thinks the companies will continue to grow at about 25 percent a year are hospitals' recession-resistant character, their ability to pass through higher costs and the fact that once a hospital is established in a community, law largely insulates it from competition.

Merrill Lynch cites hospital management as one of the "few major trend groups not yet extended" on a technical basis despite the market's huge rally.

International Herald Tribune

### U.S. Retailers Anxious About Holiday Season

By Isadore Barnash

New York Times Service

NEW YORK — Unemployment and the stagnant economy are weighing heavily on the minds of U.S. retailers as they approach the Christmas shopping season, which begins Friday. Some expect sales to rise by 5 to 10 percent from last year's figures, but others say it will be quite a feat to equal the 1981 level.

The 10.4-percent unemployment rate — the highest since the Depression — is the big hurdle, retailers across the country say. The jobless are not likely to be big buyers, of course. But in many areas where unemployment is less severe, shoppers are delaying purchases because they are concerned about their own futures, retailers say.

Some executives who head major department store chains, such as R.H. Macy & Co. of New York, Jordan Marsh of Boston, and the Broadway Stores of Los Angeles, say they are encouraged by recent sales improvements. Chicago, Edward J. Brennan, chairman of Sears-Roebuck's merchandising group, observed: "Business in the last four weeks has been better than it has for the entire year. Not explosive, but we are encouraged."

But in Houston, Foley's, the city's largest retailer, expects "a very difficult season," said Lasker M. Meyer, chairman of the 13-unit apparel store chain. Houston's apparel rate is 8 percent, compared

with 3.9 percent a year ago, he noted. The two devaluations of the Mexican peso have hurt Houston stores as have layoffs in the local steel and oil equipment industry, Mr. Meyer said, adding, "It will be tough to make last year's figures."

Retailers said that promotional wars, in which prices were slashed to lure shoppers during the year, were expected to be a dominant characteristic of the holiday period. Because the 29-day season is so strategic — it could give merchants as much as 25 percent of their annual sales and up to 50 percent of their profit — promotions are likely to be intensified. Profits will be hurt as a result, retailers noted.

Despite the difficult economy, retailers will be helped by lower price increases of typical department store merchandise. This year, prices will be 3.7 percent higher than last year, compared with a 5.7-percent rise in the 1981 season.

This means that stores, receiving lower price increases from their suppliers, will not have to produce Christmas sales gains as high as those of last year to yield a profit. But the question facing retailers is how much of a sales gain can they achieve this season, which has already been prematurely started by more than a few anxious retailers.

While lower inflation may be a help, the strong dollar is a deterrent. In cities such as New York and San Francisco, the decline in foreign tourism has hurt business.

### N.Y. Prices Show Gain; Dow Up 9

Compiled by Our Staff From Dispatches

NEW YORK — For the second time in three days, the Dow Jones industrial average closed precisely at the 1,000 level Wednesday.

The Dow average, which fell 9.01 points Tuesday and 41.11 over the previous three sessions, gained back the 9.01 Wednesday to close exactly where it was at Monday's close.

Prior to this session, the Dow had dropped 74.50 points since reaching an all-time high of 1,065.49 on Nov. 3. It still is more than 200 points above its mid-August low, however.

Analysts said bargain hunters were responsible for much of the buying, taking advantage of the market's declines the past couple of weeks. Also, some traders replaced borrowed shares sold earlier before the market dropped.

A drop in the federal funds rates banks charge one another for overnight loans also triggered some buying. These charges influence other interest rates.

Despite the Dow average gain, analysts said the stock price recovery appeared shallow, with advancing lines outnumbering declines by less than a 3-to-2 margin. Volume was 67.2 million shares, down from 72.9 million Tuesday. The light volume indicated many traders left early for the Thanksgiving holiday. The markets will be closed Thursday, but will be open Friday.

Analysts said economic news, including a sharp rise in U.S. auto sales in mid-November and comments by Federal Reserve Chairman Paul A. Volcker, also seem to have aided Wednesday's stock push.

Auto makers reported that car sales surged 40.2 percent in mid-November, with General Motors' volume up 56.6 percent. GM is offering lower interest rates to new car buyers.

General Motors' stock price gained 2 points to 56% in active trading, while Ford rose % to 30% and Chrysler gained 4% to 11.

"It shows what can happen when you bring rates down," said Larry Wachtel of Prudential-Bache Securities.

But Mr. Wachtel said investors must decide whether the gains are a true sign of economic recovery, or simply induced by bargain-basement interest rates.



The New York Times

### A Small Computer In Every School?

New York Times Service

NEW YORK — The leading U.S. personal computer manufacturers are betting that the fastest route to placing a small computer in every American living room is to first get one through the schoolhouse door.

"The evidence shows that when you are trained on one computer system, it is easy to get hooked on it," said Benjamin Rosen, a New York analyst who specializes in personal computers.

For that reason, companies like Apple, Tandy, IBM and Warner Communications' Atari unit want students to learn from earliest youth how to use their equipment and software, or computer instructions, that run it.

Eventually, the theory goes, the students or their families are likely to purchase the same computers.

Foremost among the companies riding the crest of what Mr. Rosen calls "a tidal wave of personal computers sweeping the educational establishment" is Apple. The Apple II has already appeared in thousands of classrooms.

Thousands more are likely if the company is successful in obtaining passage of the so-called "apple bill," federal legislation that would allow companies to write off two times the manufacturing cost of all computer equipment they donate to primary and secondary schools in one of the next three years.

Two months ago the bill passed the House of Representatives by a 323-62 vote. Another version, with more restrictive write-off provisions that Apple says may jeopardize its giveaway program, passed the Senate Finance Committee before the November recess. The full Senate is expected to take it up before year-end.

While Apple Computers keeps one eye on the legislation, its other is on IBM, which has made huge inroads into the market since it announced its first personal computer in 1981.

At first, the computer giant seemed to eschew the school market, but it has recently begun to place advertisements in education journals urging use of IBM equipment in classrooms from kindergarten to college.

The company announced last Wednesday that accredited schools and colleges could receive "price allowances" of about 22 percent on the basic personal computer system.

Rapid growth in the field is forecast. According to a study last year by Creative Strategies International, an industry analysis group, hardware and software for "computer-aided instruction" produced revenue of

(Continued on Page 19, Col. 3)

### Volcker Says Recovery To Be Moderate in '83

Compiled by Our Staff From Dispatches

WASHINGTON — The Federal Reserve Board's chairman, Paul A. Volcker, said Wednesday that a moderate economic recovery will occur during 1983 but that the rebound does not appear to be under way yet.

Recovery "will be evident through 1983, but at a moderate rate of speed — probably slower than during previous post-recession years," he told the joint congressional economic committee.

"There is a sense of frustration and uncertainty among many," Mr. Volcker said. "But I happen to believe we have come a long way toward laying the base for economic growth and stability. Economic recovery should characterize 1983, and that recovery can mark the beginning of a long period of stable growth."

He warned that huge continuing federal budget deficits "are a major hazard in sustaining recovery," and he urged Congress to do all it can to reduce them.

Concern on Wall Street about the deficits has kept interest rates higher than they normally would be, he said, because analysts fear the government will print more money to cover them and set inflation off again.

He said any attempt to force a looser money supply to get lower



Paul A. Volcker

interest rates risked renewed inflation.

"Too much has been invested in turning the inflationary momentum to lose sight of the necessity of carrying through," Mr. Volcker said.

Some members of Congress are urging the Fed to loosen its monetary policy to allow interest rates to drop into single-digits.

"We do not believe that progress

toward lower interest rates should, or for long in practice, can be 'forced' at the expense of excessive credit and money creation," Mr. Volcker said. "To attempt to do so would simply risk the revival of inflationary forces."

He urged "that we have the patience and wisdom to refrain from actions that can only be destructive."

But he added: "Obviously there are obstacles — interest rates are still too high; inflation is down but not out; there are strains in our financial system; we face budget deficits that are far too high; we are tempted to move inwards or backwards for quick solutions that ultimately cannot work."

Mr. Volcker also told the committee that he has "some concern" about a proposal being considered by the administration to move the 10-percent income tax cut now set for July ahead to January in an effort to get economic recovery going. A senior administration official was quoted by the Associated Press as saying Tuesday that President Ronald Reagan was leaning toward asking Congress to speed up the tax cut.

Mr. Volcker told the committee that advancing the tax cut without deficit restraints could make more difficult the Fed's effort to prevent the resurgence of inflation.

### Yen and Mark Gain Against Dollar

Compiled by Our Staff From Dispatches

LONDON — The U.S. dollar closed weaker against European currencies except for the British pound. At midday, it was trading at 2.5255 DM.

Dealers said the dollar lost ground against currencies of countries with favorable balance of payments outlooks.

Dollar weakness in Asia and early in the European day was extended by Federal Reserve Board Chairman Paul A. Volcker's testimony to Congress.

Mr. Volcker's statement is also suffering from a shift of investment sentiment from the currency amid a belief that British authorities are attempting to spur economic growth through a depreciation of the United States.

The dollar closed in London at 2.5265 DM, compared with a close Tuesday of 2.5490 DM, and at

50.40 yen, compared with 25.10.

In New York, the dollar continued its decline against most major currencies except for the British pound. At midday, it was trading at 2.5255 DM.

Dealers said the dollar was suffering as investors slowly moved toward other currencies, notably the yen and the Swiss franc.

In New York, the dollar was trading at 2.1635 Swiss francs, compared with Tuesday closing 2.1885, and at 25.55 yen.

Dealers said the British pound is also suffering from a shift of investment sentiment from the currency amid a belief that British authorities are attempting to spur economic growth through a depreciation of the currency.

The pound, which closed at \$1.5955 in London, weakened to \$1.5850 in New York, compared

# Turkey. The facts.

## Dow Jones Averages

	Open	High	Low	Close	Chg.	% Chg.
S&P IND	1007.29	1008.23	1006.00	1008.23	+1.23	+1.2%
S&P 500	124.21	124.21	123.71	124.21	+0.20	+0.2%
S&P 100	117.77	117.83	117.35	117.83	+0.13	+0.1%
S&P 200	287.41	288.13	287.35	288.13	+0.78	+0.3%

## Standard &amp; Poors Index

	Open	High	Low	Close	Chg.	% Chg.
Composite	134.97	135.15	134.88	135.15	+1.15	+0.9%
Industrials	142.21	142.21	141.95	142.21	+0.25	+0.2%
Utilities	171.19	171.57	170.57	171.57	+1.00	+0.6%
Finance	224.24	224.18	223.59	224.24	+0.25	+0.1%

## Odd-Lot Trading in N.Y.

	Buy Sales	Sell Sales	Buy Sales	Sell Sales	Buy Sales	Sell Sales
Nov. 22	161,082	162,907	2,745	2,745	1,000	1,000
Nov. 23	159,271	160,271	2,745	2,745	1,000	1,000
Nov. 19	159,271	160,271	2,745	2,745	1,000	1,000
Nov. 20	159,271	160,271	2,745	2,745	1,000	1,000
Nov. 21	172,514	172,514	2,745	2,745	1,000	1,000

\*Included in the sales hours.

## Market Summary, Nov. 24

Market Diaries		NYSE Stock Index				NYSE Index					
NYSE	AMEX	Highest	Lowest	Close	Chg.	P/E	Yield	High	Low	Close	Chg.
12 Month		12 Month		12 Month		12 Month		12 Month		12 Month	
High	Low	Stock Div.	Yld.	P/E	Si.	High	Low	Stock Div.	Yld.	P/E	Si.
12 Month		High	Low	Stock Div.	Yld.	12 Month		High	Low	Stock Div.	Yld.
High	Low					High	Low				

	Class	Prev.	Close	Class	Prev.	Close	Class	Prev.	Close	Class	Prev.	Close
AMAR	144	144	144	AMAR	144	144	AMAR	144	144	AMAR	144	144
AMAR C	134	134	134	AMAR C	134	134	AMAR C	134	134	AMAR C	134	134
AMAR D	124	124	124	AMAR D	124	124	AMAR D	124	124	AMAR D	124	124
AMAR E	114	114	114	AMAR E	114	114	AMAR E	114	114	AMAR E	114	114
AMAR F	104	104	104	AMAR F	104	104	AMAR F	104	104	AMAR F	104	104
AMAR G	94	94	94	AMAR G	94	94	AMAR G	94	94	AMAR G	94	94
AMAR H	84	84	84	AMAR H	84	84	AMAR H	84	84	AMAR H	84	84
AMAR I	74	74	74	AMAR I	74	74	AMAR I	74	74	AMAR I	74	74
AMAR J	64	64	64	AMAR J	64	64	AMAR J	64	64	AMAR J	64	64
AMAR K	54	54	54	AMAR K	54	54	AMAR K	54	54	AMAR K	54	54
AMAR L	44	44	44	AMAR L	44	44	AMAR L	44	44	AMAR L	44	44
AMAR M	34	34	34	AMAR M	34	34	AMAR M	34	34	AMAR M	34	34
AMAR N	24	24	24	AMAR N	24	24	AMAR N	24	24	AMAR N	24	24
AMAR O	14	14	14	AMAR O	14	14	AMAR O	14	14	AMAR O	14	14
AMAR P	14	14	14	AMAR P	14	14	AMAR P	14	14	AMAR P	14	14
AMAR Q	14	14	14	AMAR Q	14	14	AMAR Q	14	14	AMAR Q	14	14
AMAR R	14	14	14	AMAR R	14	14	AMAR R	14	14	AMAR R	14	14
AMAR S	14	14	14	AMAR S	14	14	AMAR S	14	14	AMAR S	14	14
AMAR T	14	14	14	AMAR T	14	14	AMAR T	14	14	AMAR T	14	14
AMAR U	14	14	14	AMAR U	14	14	AMAR U	14	14	AMAR U	14	14
AMAR V	14	14	14	AMAR V	14	14	AMAR V	14	14	AMAR V	14	14
AMAR W	14	14	14	AMAR W	14	14	AMAR W	14	14	AMAR W	14	14
AMAR X	14	14	14	AMAR X	14	14	AMAR X	14	14	AMAR X	14	14
AMAR Y	14	14	14	AMAR Y	14	14	AMAR Y	14	14	AMAR Y	14	14
AMAR Z	14	14	14	AMAR Z	14	14	AMAR Z	14	14	AMAR Z	14	14
AMAR A	14	14	14	AMAR A	14	14	AMAR A	14	14	AMAR A	14	14
AMAR B	14	14	14	AMAR B	14	14	AMAR B	14	14	AMAR B	14	14
AMAR C	14	14	14	AMAR C	14	14	AMAR C	14	14	AMAR C	14	14
AMAR D	14	14	14	AMAR D	14	14	AMAR D	14	14	AMAR D	14	14
AMAR E	14	14	14	AMAR E	14	14	AMAR E	14	14	AMAR E	14	14
AMAR F	14	14	14	AMAR F	14	14	AMAR F	14	14	AMAR F	14	14
AMAR G	14	14	14	AMAR G	14	14	AMAR G	14	14	AMAR G	14	14
AMAR H	14	14	14	AMAR H	14	14	AMAR H	14	14	AMAR H	14	14
AMAR I	14	14	14	AMAR I	14	14	AMAR I	14	14	AMAR I	14	14
AMAR J	14	14	14	AMAR J	14	14	AMAR J	14	14	AMAR J	14	14
AMAR K	14	14	14	AMAR K	14	14	AMAR K	14	14	AMAR K	14	14
AMAR L	14	14	14	AMAR L	14	14	AMAR L	14	14	AMAR L	14	14
AMAR M	14	14	14	AMAR M	14	14	AMAR M	14	14	AMAR M	14	14
AMAR N	14	14	14	AMAR N	14	14	AMAR N	14	14	AMAR N	14	14
AMAR O	14	14	14	AMAR O	14	14	AMAR O	14	14	AMAR O	14	14
AMAR P	14	14	14	AMAR P	14	14	AMAR P	14	14	AMAR P	14	14
AMAR Q	14	14	14	AMAR Q	14	14	AMAR Q	14	14	AMAR Q	14	14
AMAR R	14	14	14	AMAR R	14	14	AMAR R	14	14	AMAR R	14	14
AMAR S	14	14	14	AMAR S	14	14						

**BUSINESS BRIEFS****Warner to Get 40% Stake in Hasbro**

**NEW YORK** (Reuters) — Warner Communications said Wednesday it has agreed in principle to sell certain receivables, inventories and other assets of its Knickerbocker Toy operations to Hasbro Industries in a transaction that would result in Warner owning 40 percent of Hasbro, Inc., which makes games and toys, to issue to Warner \$60 million in face value and warrants to purchase 250,000 shares of Hasbro common at \$40 a piece. Warner is to purchase up to 500,000 family-held shares of Hasbro.

Warner, a diversified entertainment and media company, had 1981 revenue of \$3.257 billion.

**PSA Halts Negotiations With Braniff**

**SAN DIEGO** (Reuters) — PSA Inc. has broken off joint venture negotiations with Braniff International after Braniff was unable to reach labor agreements with all its unions by the agreed-upon deadline, a PSA spokesman said Wednesday.

The spokesman said that chances of negotiations being revived were unlikely. He said the talk collapsed because Braniff could not obtain concessions from its pilots' union.

Braniff filed for protection from its creditors under Chapter 11 of U.S. bankruptcy laws in May. The PSA plan would have created a Dallas-based airline using PSA's name and substantially all Braniff workers and equipment. Braniff has until Jan. 4 to produce a reorganization plan.

**Hambros Cleared in Reksten Affair**

**OSLO** (Reuters) — Hambros Bank did not suppress information sought by Norwegian authorities about financial transactions of the late Norwegian shipping tycoon Hilmar Reksten, according to a report by a commission investigating the Reksten affair.

The report, published after 18 months of investigations, said that Hambros Bank, Reksten's main creditor for several years, gave information on its involvement in Mr. Reksten's activities in Norway and abroad, within the limitations of professional secrecy.

**Malaysian State Drops Smelter Plan**

**KOTA KINABALU, Malaysia** (Reuters) — The government in the east Malaysian state of Sabah has dropped plans to build a copper smelter at cost of 300 million ringgit (\$127 million), a state official said Wednesday.

Azizan Hussain, director of state development, said that low copper prices and insufficient ore from Malaysia's only copper mine, at Mamut, made the project unfeasible. He said the mine was expected to be shut down in 10 years when the ore runs out.

**Orient Overseas Sets Share Issue**

**HONG KONG** (Reuters) — Orient Overseas Container (Holdings) said Wednesday that it plans to raise more than 1.3 billion Hong Kong dollars (\$195 million) through share issues.

It said the money is to be used for the acquisition of property, insurance and shipping interests from companies in which the Tung family has direct or indirect equity interests or management involvement.

**Venture Gets Australian Pipe Bid**

**PERTH**, Australia (Reuters) — The Western Australian government has awarded a contract totaling more than 200 million Australian dollars (\$190 million) for a natural gas pipeline to a joint venture of ICC Construction of South Korea and the local unit of Saipem of Italy, state Premier Ray O'Connor said Wednesday. ICC is to lay the central section carrying gas to Perth from the Northwest Shelf, and Saipem is to lay the southern section.

**Greece Denies Nationalization Plan**

**ATHENS** (Reuters) — Greece's Socialist government does not plan to nationalize the consortium of U.S., West German and Canadian interests drilling for oil in the North Aegean, Energy Minister Evangelos Kouloumios said Wednesday.

While denying reports that the government sought a majority stake in the North Aegean Petroleum Co., he said it did want to re-examine the 1975 agreement setting a 65-percent public share in the company's daily output of 25,000 barrels. The company's main shareholder is Denison Mines of Canada, with 68.75 percent.

**Johns-Manville to Sell Pipe Division**

**DENVER** (Reuters) — Johns-Manville Corp.'s Johns-Manville subsidiary has signed a letter of intent to sell its U.S. pipe operations, which reported a 1981 loss of \$5.4 million, Manville said Wednesday.

The purchase price, terms of the agreement and purchaser were not disclosed. Manville said the transaction was expected to be completed by year-end.

**Liquidator of Laker Sues Airlines**

**LONDON** (UPI) — The liquidator of Laker Airways Ltd. said Wednesday that he has filed an antitrust lawsuit in the United States charging several airlines with conspiring to drive Laker out of business.

Christopher Morris is the suit, filed in federal court in Washington, named Pan American Airways Inc., Trans World Airways Inc., British Airways Board, Lufthansa German Airlines, Swissair, British Caledonian Airways Ltd., McDonnell Douglas Corp. and McDonnell Douglas Finance Corp. The lawsuit seeks substantial damages on behalf of Laker's creditors and shareholders. No specific figures were announced, but it was understood the suit sought hundreds of millions of dollars.

**Japan Vehicle Output Off 8.2% in October**

**United Press International**  
TOkyo — Japan's production of motor vehicles in October, hurt by slow demand at home and abroad, declined 8.2 percent from a year earlier, the Japan Automobile Manufacturers' Association reported Wednesday.

It was the seventh straight month of decline. The association said the nation's 11 automakers turned out 891,241 cars, trucks and buses in October.

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MEMBRE DE SYNTAC

**Oil Glut Disrupts Jakarta Development Plans**

By William Branigin  
*Washington Post Service*

JAKARTA — Indonesia, once among the developing world's leading boom economies, is having to reassess its ambitious development programs as government planners grapple with hard economic choices posed by the recession and the world oil glut.

A steep slide in Indonesia's economic indicators in recent months has shown that the oil producer is not immune to the recession and has sharpened a debate over whether to slow down or press ahead with multibillion-dollar development projects. The debate has extended to the World Bank and International Monetary Fund, which have given Jakarta conflicting advice.

With the outlook continuing to dim, the consensus appears to be tilting toward the IMF's view that development must be substantially scaled down to cope with a mounting budget deficit. Yet some optimists in the government persist in promoting costly projects and it remains uncertain what task President Suharto will take when he announces a budget in January for the 1983-84 fiscal year.

Mr. Suharto has staked a large measure of his personal prestige on economic growth during his 16 years in power and is to be proclaimed the "Father of Development" next year.

Another factor that makes the decision to cut back development spending that much tougher, according to Indonesian and foreign economists, is the corruption that pervades the bureaucracy and the military.

Still, bankers and economists consider the country's economy to be generally well-managed and believe Indonesia is relatively well-equipped to deal with the recession. They express confidence that the nation can steer clear of the "Mexico trap" of falling heavily into debt to pay for development programs that can no longer be covered by oil income.

One major problem, though, is that, because

so many high-ranking officials and influential persons — including relatives and associates of the president — have a personal financial stake in the big projects, it will be difficult to cut them back, sources said.

In a broader perspective, Indonesia is also caught up in an international debate on whether the recession is cyclical or part of a major structural adjustment in the world economy after the oil price increases of the 1970s. Advocates of the latter theory see the downturn in the oil market as a permanent change attributable to increasing use of alternate energy sources and greater conservation.

This view also holds that, with a continuing world petroleum glut, oil prices could collapse. Just such a forecast by the U.S. economist Milton Friedman in a speech in Oslo in September has received wide circulation in Indonesia. Mr. Friedman said that, without another serious disruption in the Middle East, he saw nothing to prevent oil prices from dropping to \$10 and \$12 a barrel.

The prospect of a plunge in oil prices terrifies Indonesian planners, who count on petroleum exports for 70 percent of government revenue. Indonesia is already losing revenue at an annual rate of \$3 billion because of lower oil production.

According to an economic trends report issued last week by the U.S. Embassy in Jakarta, the country has gone from a current account surplus of almost \$500 million to a deficit of at least \$7 billion in two years. Other economists say the deficit for this fiscal year could reach \$8 billion.

Real growth in the gross domestic product has slid from 9.9 percent in 1980 to a projected 4 percent this year, the report said. Economists concede privately that even 4 percent is optimistic and that growth may not reach 2 percent.

Indonesia's official foreign debt is put at about \$17.5 billion. Including undisbursed loans, it comes to about \$28 billion. Private

debt adds \$5 billion to \$6 billion, economists say.

On the bright side, they say, the debt is still easily manageable, with much consisting of long-term loans from multilateral agencies or governments at relatively low interest rates. Inflation is less than 10 percent, compared to more than 600 percent when Mr. Suharto came to power in 1966.

"Indonesia has very considerable financial resources to meet the present problems," said one of the more optimistic foreign officials monitoring the Indonesian economy. "The question is how long could it allow a deficit of this magnitude to continue."

"I don't think the president is apprised of how serious the situation is," another economist said.

In his latest statement on the economy, Mr. Suharto said Indonesia would speed up its ambitious development program. "We do not need to panic" during the recession, he said. "Instead, we must make our national economy grow and spur on our development even faster."

Mr. Suharto apparently was relying on a rosy report presented by the World Bank in May advocating continued high development spending. The report called for increased foreign borrowing and forecast real GNP growth this year of 7.5 percent.

The IMF is known to have disputed the World Bank figures and counseled an opposite course. As the economy has continued to slide, this view has won converts.

Apparently aware of the budget battle shaping up, however, some government agencies have been rapidly pushing ahead with big new contracts. The latest to be signed is for a \$1-billion oil refinery that some government planners have argued is not needed. It was awarded to a Japanese company represented by the president's son and a businessman close to the Suharto family.

**N.Y. Group Challenges Subway-Car Finding**

By Jane Perlez  
*New York Times Service*

by Budd Co., a Michigan concern that was the unsuccessful domestic bidder on the contract.

Budd complained that it could not compete with Bombardier because the Export Development Corp. of Canada had agreed to lend the New York authority \$85 percent of the purchase price at an interest rate of 9.7 percent over 15 years.

Budd, a subsidiary of Thyssen of West Germany, contended that the Canadian terms violated international trade agreements by subsidizing the Canadian government.

The chairman, Richard Ravitch, said Tuesday the authority would argue against the existence of the subsidy in further proceedings at the Commerce Department.

Mr. Ravitch said that if the MTA faced dues the authority would not use the Canadian loan and instead would seek financing by offering a bond issue.

The International Trade Commission said that a Canadian government corporation aided the manufacturer, Bombardier Inc., of Montreal, with a subsidy of \$167,225 for each car, or \$137 million for the fleet.

The department's findings resulted from a petition filed in June

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## WEATHER

	HIGH	LOW		HIGH	LOW	
ALGARVE	C	F	LONDON	C	F	
ALGERIA	17 62	12 55	Cloudy	17 63	9 48	
AMSTERDAM	11 52	7 44	Overcast	17 63	9 48	
ANKARA	6 43	2 16	Fair	17 63	9 48	
ATHENS	16 47	-	N.A.	MEXICO CITY	22 72	7 45
AUSTRALIA	24 74	24 74	Fair	22 72	7 45	
BEIJING	7 45	2 25	Fair	22 72	7 45	
BELGRADE	17 65	12 59	Cloudy	MILAN	11 52	7 45
BELGIUM	12 51	8 48	Overcast	MOSCOW	4 39	2 25
BOSTON	12 55	8 48	Overcast	MUNICH	12 54	8 32
BRUSSELS	14 57	11 52	Fair	NAIROBI	27 73	14 57
BUCHAREST	1 34	-1 26	Foggy	MASSAI	27 73	14 57
BUDAPEST	15 59	11 41	Foggy	NEW DELHI	12 54	11 52
BUSINESS AIRLINES	24 74	24 74	Foggy	NEW YORK	12 54	11 52
CAIRO	21 70	10 59	Cloudy	NICE	12 54	11 52
CAPE TOWN	23 73	10 56	Overcast	OSLO	7 45	3 38
CASABLANCA	21 70	12 59	Overcast	PARIS	11 52	9 48
CHICAGO	31 75	20 65	Foggy	PRAGUE	2 4	1 25
COPENHAGEN	11 52	8 48	Foggy	RIO DE JANEIRO	3 26	1 18
COSTA DEL SOL	17 63	9 48	Foggy	ROME	17 63	11 52
DAMASCUS	15 59	7 45	Foggy	SAO PAULO	27 77	18 52
DUBLIN	10 58	1 34	Rain	SINGAPORE	12 55	11 52
EDINBURGH	5 51	2 38	Rain	STOCKHOLM	21 61	9 48
FLORENCE	5 59	4 48	Overcast	SYDNEY	20 70	9 48
FRANKFURT	15 59	10 59	Foggy	TAIPEI	21 77	7 45
GENEVA	10 59	10 59	Foggy	TOKYO	15 59	11 52
HARARE	25 77	18 64	Foggy	TUNIS	11 52	9 48
HONG KONG	7 45	6 45	Foggy	VIENNA	11 52	7 45
HOUOTON	25 77	21 70	Cloudy	WARSAW	8 42	5 26
ISTANBUL	15 59	4 39	Foggy	WASHINGTON	10 50	3 26
JERUSALEM	11 52	5 26	Foggy	ZURICH	12 54	2 36
LAS PALMAS	24 74	20 68	Overcast			
LIMA	27 81	21 70	Overcast			
LISBON	17 63	9 48	Cloudy			

Readings from the previous 24 hours.

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CAPITAL INTERNATIONAL: (w) Capital Int'l Fund; (b) Capital Italia S.A.: \$2.68 (d); \$2.68 (w); \$2.68 (m); \$2.68 (b); \$2.68 (r); \$2.68 (o).

CREDIT SUISSE: (d) Credit Suisse: SF 277.00 (d); SF 277.00 (w); SF 277.00 (m); SF 277.00 (b); SF 277.00 (r); SF 277.00 (o).

DIT INVESTMENT FFA: DM 12.95\* (d); DM 12.95\* (w); DM 12.95\* (m); DM 12.95\* (b); DM 12.95\* (r); DM 12.95\* (o).

FIDELITY PO Box 470, Hamilton, Bermuda: \$4.37 (d); \$4.37 (w); \$4.37 (m); \$4.37 (b); \$4.37 (r); \$4.37 (o).

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G.T. MANAGEMENT (U.S.A.) LTD: (w) G.T. Amer Value Fund: \$4.37 (d); \$4.37 (w); \$4.37 (m); \$4.37 (b); \$4.37 (r); \$4.37 (o).

G.T. MANAGEMENT (U.S.A.) LTD: (w) G.T. Amer Value Fund: \$4.37 (d); \$4.37 (w); \$4.37 (m); \$4.37 (b); \$4.37 (r); \$4.37 (o).

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## SPORTS

**U.S. College Basketball Keeps Its Eye on the Clock**

By Sam Goldaper

New York Times Service  
NEW YORK — In a National Collegiate Athletic Association Rules Committee questionnaire last May, Bobby Cremins of Georgia Tech was one of many coaches who opposed the use of 24-, 30- or 45-second shot clocks.

Of the 394 coaching ballots cast for the use of a 45-second clock, Lou Carnesecchi of St. John's was one of 119 in favor.

With the college basketball season getting under way, Cremins will be playing all his Atlantic Coast Conference games with a 30-second clock and a 3-point basket for shots beyond 19 feet. Carnesecchi, whose team plays in the Big East, will play all conference games with a 45-second clock and a 3-point field goal.

The ACC and the Big East will be among the eight conferences experimenting with shot clocks of either 30 or 45 seconds. Nine conferences will use the 3-point basket at distances ranging from 19 feet to 24 feet 3 inches.

"I originally voted against the 45-second," Cremins said recently. "Now I want the clock."

"I think coaches suddenly realized they were over-coaching and there was a need to give the game back to the players."

Carnesecchi has been an advocate of some form of a shot clock since 1966.

"There was a voice in the wilderness for a long time," he said. "Coaches have finally come to the realization that a lot of teams are starting to put the ball in the icebox in the first half. Basketball is a game of action, not inaction."

Scoring totals decided for a seven straight year last season. The average combined score has dropped from a high of 153 points in 1975 to 135. Although the experiments may bring about some change, a familiar note of the guessing game as to which team will emerge as the Division I national champion on April 4 in Albuquerque, New Mexico.

An informal survey of college coaches and pro scouts indicates the national champion should be among the following 20 teams:

Virginia: Ralph Sampson made it official last May when the 7-4 center said he would pass up National Basketball Association money and return for his senior year.

Whether the Cavaliers can finish No. 1 is the question, but "with Ralph and his supporting cast, I don't see how they could have picked anyone else," said Coach Dean Smith of North Carolina.

Add Virginia's coach, Terry Holland: "We want Ralph to be the same player he's been for the last three seasons."

The Sampson era has produced

an 83-14 record. The Cavaliers won the National Invitation Tournament during his freshman season, lost to North Carolina in the final four in 1981 and to Alabama-Birmingham, 68-66, in the second round of the NCAA playoffs last season.

The supporting cast for Sampson, who averaged 15.8 points, 11.4 rebounds and 3.1 blocked shots last season, is strong. He returns with 10 lettermen, including four starters. Othell Wilson (11.4) was one of the nation's top guards last season.

North Carolina: Smith added Michael Jordan to the team last season, and the freshman guard took the last shot to beat Georgetown for the national title. With James Worthy and Jimmy Black gone, the chances of repeating are slim. With Smith's newcomers, Brad Daugherty, Steve Hale and Curtis Hunter, Daugherty, 6-11, and the

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## ART BUCHWALD

### The Priscilla Pitch

President Reagan asked me not to print this column this year to punish the French for supplying oil pipeline equipment to the Soviets. But last week he changed course and lifted the embargo, thus making it possible for me once again to explain what the American holiday Thanksgiving is all about.

**WASHINGTON** — One of our most important holidays is Thanksgiving Day, known in France as le Jour de Merci Donnant.

*Le Jour de Merci Donnant* was started by a group of Pilgrims (*Pélerins*) who fled from *Tanguerelle* before the McCarran Act to found a colony in the New World (*le Nouveau Monde*), where they could shoot Indians (*les Peaux-Rouges*) and eat turkey (*dinde*) to their hearts' content.

They landed at a place called Plymouth (now a famous *vôture Américaine*) in a wooden sailing ship called the Mayflower, or *Fleur de Mai*, in 1620. But while the *Pélerins* were killing the *dindes*, the *Peaux-Rouges* were killing the *Pélerins*, and there were several hard winters ahead for both of them. The only time the *Peaux-Rouges* helped the *Pélerins* was when they taught them to grow corn (*maïs*). The reason they did this was because they liked corn with their *Pélerins*.

In 1623, after another harsh year, the *Pélerins'* crops were so good that they decided to have a celebration and give thanks because more *maïs* was raised by the *Pélerins* than *Pélerins* were killed by *Peaux-Rouges*.

Every year on *le Jour de Merci Donnant*, parents tell their children an amusing story about the first celebration.

It concerns a brave *capitaine* named Miles Standish (known in France as *Kilomètres Debout*) and a young, shy lieutenant named Jean Aiden. Both of them were in love with a flower of Plymouth, named Priscilla Mullens (no translaton). The *vieux capitaine* said to the *jeune lieutenant*:

Drop in U.S. Tourism

(The Associated Press)

**WASHINGTON** — The number of foreign visitors to the United States will decline in 1982 for the first time in 20 years, according to Peter McCoy, U.S. undersecretary of commerce. His prediction was made after figures were published by the Commerce Department showing a 9-percent decline in the first three-quarters of the year, compared with 1981.

"Go to the damsel Priscilla (*Alliez tres vite chez Priscilla*), the lovely maiden of Plymouth (*la plus jolie demoiselle de Plymouth*). Say that a blunt old captain, a man not of words but of action (*un vieux Fanfan la Tulipe*), offers his hand and his heart, the hand and heart of a soldier. Not in these words, you know, but this, in short, is my meaning.

"I am a maker of war (*je suis un fabricant de la guerre*) and not a maker of phrases. You, bred as a scholar (*vous, qui etes peau comme un etudiant*), can say it in elegant language, such as you read in your books of the pleadings and wooings of lovers, such as you think best adapted to win the heart of the maiden."

Although Jean was fit to be tied (*convenable a être embelli*), friend prevailed over love, and he went to his duty. But instead of using elegant language, he blurted out his mission. Priscilla was muted with amazement and sorrow (*rendue muette par l'étonnement et la tristesse*).

At length she exclaimed, interrupting the ominous silence: "If the great captain of Plymouth is so very eager to wed me, why does he not come himself and take the trouble to woo me?" (*Où est-il, le vieux Kilomètres? Pourquoi ne vient-il pas auprès de moi pour tenter sa chance?*)

Jean said that *Kilomètres Debout* was very busy and didn't have time for those things. He staggered on, telling what a wonderful husband *Kilomètres* would make. Finally Priscilla arched her eyebrows and said in a tremulous voice: "Why don't you speak for yourself, Jean?" (*Chacun à son goût!*).

And so, on the fourth Thursday in November, American families sit down at large tables brimming with tasty dishes, and for the only time during the year eat better than the French do.

No one can deny that *le Jour de Merci Donnant* is a grande fête, and no matter how well fed American families are, they never forget to give thanks to *Kilomètres Debout*, who made this great day possible.

As military men, attachés are cast onto the unfamiliar terrain of diplomacy and must operate in a society that often bears no resemblance to their own in its openness, civilian control and demo-

## Military Attachés

By Carly Murphy  
*Washington Post Service*

**WASHINGTON** — The gentlemen spies were out in force, crowded around a table of canapes at the Chinese Embassy. Major General Zhang Wanji, who jogs six miles a day, plays bridge with a passion and loves ice cream, was pouring lots of *mazouai* for four high-ranking U.S. Air Force officers.

Across the room two white-suited Russians, Lieutenant Colonel Roman F. Yefimov and Lieutenant Colonel Vyacheslav K. Pavlov, were deep in a discussion of Russian history with another U.S. Air Force officer, Lieutenant Colonel David Miller. A few paces away a knot of bemused generals from Brazil, Argentina, Chile and Colombia were chattering in Spanish, while military men from Yugoslavia, Sri Lanka, and Cameroon, to mention a few, moved through the uniformed throng celebrating China's Armed Forces Day.

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The military, naval and air attachés are accredited to the appropriate U.S. service branches. In addition, 56 countries also have defense attachés in Washington accredited to the Defense Intelligence Agency. They usually come from countries with whom the United States shares intelligence and so have access to classified material.

Besides a heavy round of receptions and parties, which leads

some cynics to say we spend most of our time entertaining each other," according to Air Vice Marshal J.H. Newham, the Australian defense attaché, the attachés have several social groups — among them, the Washington Military Attache Association, the Services' Attache Association, the Services' Attache Tennis Association and the Washington Area Air Attache Association — that provide opportunities for the attachés to meet and mix, whatever their countries' alliances might be.

Though these social calls are burdensome, most attachés regard them as part of the job. "The primary task of the military attaché is to gather information valuable to your country, so when you go to reception it's not just to enjoy yourself, but also to keep your ears and eyes open and learn. Of course, you must be able to sift fact from fiction," said Sri

Lanka's defense attaché, Major General Anthony Thomas Boam.

Boam presides over a staff of eight attachés and more than 100 civilians, including specialists in such things as deep-sea diving, weapons systems and atomic research. Much of Boam's responsibilities deal with coordinating joint military exercises with the United States and caring for the 450 British officers stationed with U.S. forces here.

Lanka's defense attaché, Lieutenant Colonel P.B.C. Dharmapala.

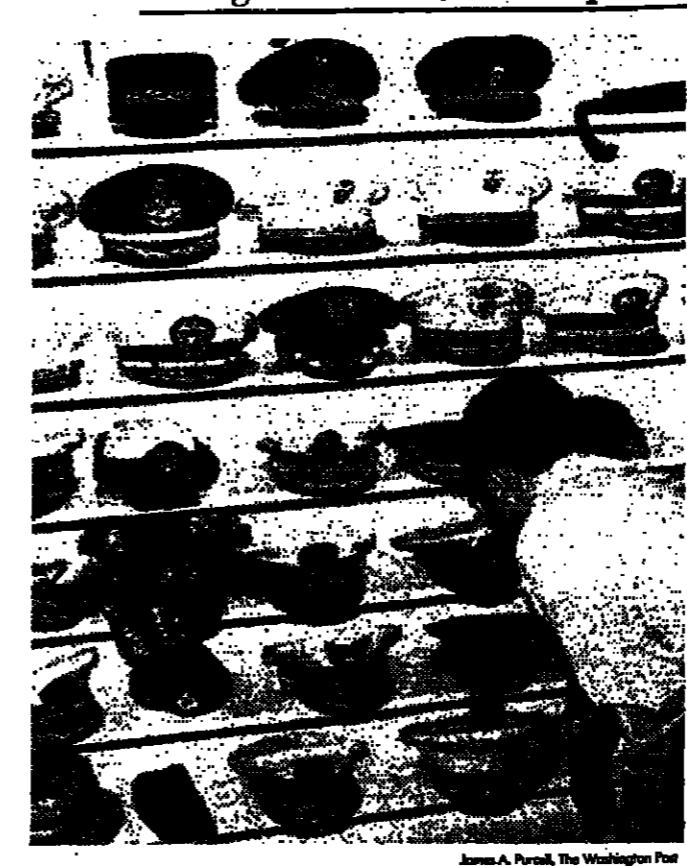
It is at such functions that national hostilities are suspended in the balms of alcohol and protocol.

Obviously the size of an embassy's military staff and the intelligence aspect of its attachés' job depends on the country it represents. At one end of the spectrum are major allies of the United States, whose attachés are often high-ranking officers at the twilight of their careers or those being groomed for big jobs back home.

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## 400 'Gentlemen Spies' in Washington Socialize, Gossip, Arrange Arms Sales, And Keep Their Eyes and Ears Open



James A. Purcell, The Washington Post

Checking military hats at a party in Washington.

to their ambassadors; they promote arms sales and the exchange of people; but they do all these things to get additional entree for intelligence-sharing, even if it's in-house gossip like who are the rising stars in the Pentagon, who makes the decisions, and squabbles between army and navy," Fish said.

Advances in electronic and satellite spying, the communications revolution, and the openness of American society have all undercut the attaché's traditional role as purveyor of first-hand secret information and, as one congressional aide said, allowed them "to come out of the closet."

"We cannot compete with the mass media," said the Japanese defense attaché, Major General Toshiyuki Shikata. "They are faster than us, in quality and quantity, it is much better than we can get.... We do not need to send around to find out top secret information."

Many attachés are concerned with something else: that the United States releases too much military material for its own good. "Your country is very open, and I feel very worried about that," said Egypt's Kabil, expressing the nearly universal view of attachés. "Let the Russians spend some time; let them make an effort. [Don't] give them everything in a spoon. They will find it out, but after a while. Five minutes in a war is important."

Another development that has altered the role of the military attaché has been the explosion in global arms sales. Washington is a major supplier to more than 120 countries, with sales that have gone from \$4.9 billion in 1971 to over \$20 billion this year, according to Pentagon figures.

For many attachés, negotiating these arms contracts is a big part of their job. Some countries have set up separate arms procurement offices.

Not all military men adjust well to the life of a diplomat-spy. At the Chinese party, Yefimov, the Soviet Union's assistant air attaché, was disgruntled. "You know, I don't like this job; I have nothing to do except this, alcohol and protocol," he said holding up his glass. "I am a pilot and once you get the feeling of the stick in your hand and of flying through the air, it's a feeling you never forget. I liked being in command of a squadron. I had a job then."

## PEOPLE

### Chicago Appearances Canceled by Pavarotti

Luciano Pavarotti has canceled appearances Dec. 1 to 8 in the Chicago Lyric Opera's production of Verdi's "Luisa Miller." Andre Kravitz, general manager of the Lyric, said she phoned the tenor's Modena, Italy, home and the singer told her he could not appear because of unspecified "serious family problems."

Postus Hulten, 57, the Swedish museum director who launched the controversial Centre Georges Pompidou in Paris and for the last 15 months has been in Los Angeles directing the yet-to-be-built Museum of Contemporary Art, will give up his Los Angeles job to organize the arts and cultural program for the 1989 World's Fair in Paris. The offer of the new position only 15 months after he took on the Los Angeles project came from French President François Mitterrand of France, Hulten said. "Obviously I could not reject such an offer." Hulten apparently encountered personal acrimony between board members in Los Angeles during his brief directorship.

Raquel Welch says she has won her stripes against the slings and arrows of sex symbolism and will share her secrets with the world of womankind in "Raquel Welch's Health and Beauty Book," which will be based on *Vogue*. And the publisher added, "With lots of photographs of Miss Welch in her pastures."

She said the book will be different from one by "the lady in the bumblebee suit," referring to the actress Jane Fonda, who wears a striped leotard in her new book.

"I hope it's going to be a little more subtle and very feminine," said Welch, 40.

Gloria Swanson has turned over her 100,000-item collection of memorabilia to the Humanities Research Center at the University of Texas. Negotiations with Swanson, now 83, and living in New York, were concluded with the delivery of 78 boxes and four cabinets of material she had collected since 1913. It includes correspondence with William Faulkner, Mary Pickford and others. There is one stipulation: "The Kennedy correspondence will remain sealed until the year 2000," Swanson said in her autobiography, she had a three-year romance with Joseph P. Kennedy, father of President John F. Kennedy.

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